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26 OCTOBER 1988



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# ***JPRS Report***

## **East Europe**

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# East Europe

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## CONTENTS

26 OCTOBER 1988

### POLITICAL

#### HUNGARY

Aczel Self-Criticism Featured by Party Journal .....	1
Editorial Calls for Patience, Calm on Both Sides After Arad Meeting .....	2

#### POLAND

Historian Comments on Role of 'Myth' in 'Blank Spots' Examination .....	3
Bialkowski Blasts Leadership Elements for Blocking Reform .....	5
Pact or No Pact, Market Economics Must Be Introduced .....	12

#### YUGOSLAVIA

Jansa Case Prosecutor Discusses Threats, Letters .....	17
--	----

### ECONOMIC

#### CZECHOSLOVAKIA

New Indexes of Retail Prices, Cost of Living Published .....	19
--	----

#### HUNGARY

Private Economic Researcher Discusses Officially Proposed Debt Equity Plan .....	26
--	----

#### POLAND

Polish-Soviet Cooperative Enterprise on Personnel, Expansion Plans .....	29
Proclamation, Resolution on Foreign Exchange Allowances .....	31
'Special Measures' Fall Short; Export, Anti-Inflationary Actions Evaluated .....	36

#### ROMANIA

Expanded Range of Optical Products for Export .....	36
---	----

### SOCIAL

#### INTRABLOC

Population Trends Analyzed [Sofia <i>POLITICHESKA PROSVETA</i> Jul 88] .....	39
--	----

## HUNGARY

**Aczel Self-Criticism Featured by Party Journal**  
*25000250 Budapest TARSADALMI SZEMLE*  
*in Hungarian No 7 1988 pp 3-4*

[Article by Gyorgy Aczel, member of the MSZMP Central Committee and former member of the Politburo between 1956 and 1988: "Creative Freedom, Creative Order"]

[Text] I would like to begin by praising the [Party] Congress. Three years ago, on the occasion of the XIIIth Party Congress, I stated that just as our people have changed, so our country has also changed. Now I would also like to say that the country has come to know a new party.

Today there are many countries around us, and throughout Europe, that are facing similar or even more difficult conditions than we are. Still, why is there such tension here? Why is there such confusion? In my opinion, it is because it has been our country that has made the most decisive progress toward realizing democracy, human rights and reforms; this is what made it possible for people, communists and non-party-members alike, to state their views so openly and with such a sense of historical responsibility.

It is my subjective and undocumented opinion that there have been many Central Committee meetings in the history of our party that have brought about a decisive turn of events; and this, the third party congress also falls into that category.

The first party congress focused on the issue of production and restarting the country's life. For a while we succeeded in this, but during the 1950s our progress came to a standstill and reversed itself. Great importance must be attributed to the Central Committee meeting held in June 1953, signifying the start of a clarification process; but this was followed by infighting, personal conflicts and the deterioration of unity, leading to the tragedy of 1956. The Central Committee meeting held in December 1956, and the party congress held in June 1957, shaped the development, bringing about consolidation and giving birth to historical achievements. In my view, these decisive Central Committee meetings and party congresses also showed us our great responsibility for the course we chose. We must not make a decision that later would not be promptly executed; what we need is the realization of our conceptions. We must vote for immediate action, and I feel that the speakers who took the stand here have done just that.

I have been a member of the Central Committee for 32 years; this means that for 32 years I have been responsible for everything that has been happening in this country and in this party, including those mistakes, misjudgments and delays that are rightly criticized by the membership and now by the party congress as well.

I feel that it is no longer permissible to talk about these things in generalities. With your permission, I would like to say a few words about my culpability, without attempting to exhaust the topic.

I am responsible because, even though I have said and I am saying that holding office implies service, I have not fought consistently enough for party democracy, which institutionally guarantees that the policy of the party, the opinion and decision of 800,000 party members, be given better expression in decisionmaking. I am responsible for being late in recognizing that unity which knows no doubts and does not take into consideration differing points of view is not effective unity; it is misleading and prevents the party from fulfilling its function more energetically tomorrow than it is doing today.

I am also responsible for the fact that we have not made good use of one of our greatest assets, our intellectual capital; not only the intellectuals' activities, but the ideas of every party member and every Hungarian citizen which were conceived for the benefit of all of us.

I could summarize the matter by quoting what Gyorgy Lukacs once told me: that I tend to confuse what "ought to be" with what "is." Perhaps I am also responsible for representing continuity too well and discontinuity not well enough, which was also voiced perceptibly in a debate with Lukacs.

And yet, let us ask: What has happened during those 32 years? Permit me to join my friend Dezso Keresztury in saying something about this. The past 32 years represent Hungary's greatest historical undertaking in recent centuries. It was during this period that we reached the point where, for the first time in centuries, international recognition was accorded our nation, not because of a failure but because of success and achievement. These 32 years were legitimized not only by consumption, the rise of real wages and the transformation of our villages, but also by the intellectual ferment that got started in this country. I would like to repeat: Let us not deny this. Today's mistakes must not prompt us to deny the work which has been accomplished over the decades, and the 32 years that belong to the working people of the country, the industrial laborers, the peasants and the intellectuals.

I would also like to say something else about these 32 years, something which we are usually too reserved to discuss: The fact that, with all its hesitations and failures, this period was still one of the most significant periods of Hungarian history—during which socialism underwent a renewal—can be largely attributed to a historical personality, the astute crusader of reality or, as he once referred to himself, "the laborer of good compromises," Janos Kadar.

I say this primarily to the young people who have not personally experienced these 32 years, and even today are not yet fully a part of our public life, including this

congress. Look around, Comrades! How many delegates are there in this room who are the same age as [the poet] Sandor Petofi was when, having already produced an immortal work, sacrificed himself for the cause of liberty?

We, who have passed the prime of our lives, must take a larger share in enrolling, inviting and allowing young people to participate in public life. Let us strive harder, so that we may leave to future generations a party and a country that would not restrain their creative energies, independent thinking and point of view, but would be built with their participation, so that the ideal many people dreamed of, the ideal justifying the sacrifices of many, the ideal for which we lived and live, socialism, would be realized with their work.

Millions have died for socialism, the ideal which is the best mankind has ever developed for itself. They have fought not only for state ownership of the means of production or for community ownership, but because they knew that this ideal (if it were implemented correctly, that is, better than it has been implemented until now, but also in a different manner) could guarantee people a chance to rise, to obtain human living conditions, to feel at home in the world, to see increasingly responsible democracy and more freedom, which also creates order; all those things people have desired and lived for.

Several of you here have asked: What will the future bring? By itself, nothing! We have to bring on the future; we have to give people back their perspectives and hopes! If we do that, we give them back their confidence. We must build the foundations for a future that will enable us to pass to our successors not just words but a genuine socialist country.

12588

#### **Editorial Calls for Patience, Calm on Both Sides After Arad Meeting**

25000009 Budapest *MAGYAR NEMZET* in Hungarian  
24 Sep 88 p 1

[Editorial by Tibor Varkonyi: "In the Aftermath of Arad"]

[Text] Diplomacy is probably one of the most difficult profession in the world. It must satisfy several needs simultaneously. Primarily, and before anything else, an agreement must be reached with one's partner, points of agreement must be found, while the interests of a possible third party must also be considered. But to no lesser extent must the expectations of domestic public opinion be satisfied, and the reactions at home must be observed. In the framework of the Hungarian-Romanian relationship this is topped by the fact that understandably, there is a rather high level of sensitivity concerning the fate of the nationality beyond our borders, even though in

Bucharest this is viewed as a "domestic affair," while we would expect more understanding regarding the recognition of the fact that in Hungary too this has become part of domestic policy.

This then justifies the heightened expectation that preceded Karoly Grosz's meeting with Nicolae Ceausescu in Arad. And if there was some disappointment—a matter only a fool would deny—the origins of that disappointment consist of several strata. The tension, or to use the words of a leading Foreign Ministry official, the conflict has increased to the point that it is almost unbearable. The public expected a rapid, spectacular change, or at least the initial signs of such change—an expectation, we should admit, which was exaggerated and groundless. One should not hope for the resolution of complex and accumulated problems as a result of one day's work. In most instances one should not even hope for approaching such resolution.

The Hungarian government did not suddenly realize just now, in the aftermath of Arad, or immediately following the meeting that some urgent steps must be taken. This is not so, even if Matyas Szuros, in his 20 August speech rightfully stated that we are late, and that we should have acted earlier. And the fact that time continues to be wasted was not our doing. It is very likely that the secretary general and head of state still would not have received an invitation despite repeated urgings for a meeting by Hungary, had it not been the spotlight of international attention that focused on the absurdity of relations between Budapest and Bucharest.

Since then, however, as most recent news reports have it, the pace by which events take place has accelerated. One cannot deny that the acceleration is partly due to increased impatience in Hungary. The MSZMP CC foreign affairs secretary's three day visit in the Romanian capital, his reception at the highest level serves as evidence of the pace of the negotiation process, and the same is indicated by the work program of the Hungarian government approved last Thursday by the Council of Ministers. The outside observer—we could say: the uninitiated, after all the delicate nature of the problem restricts information—would say that for the time being we are dealing only with intentions. After all, the government plan enumerates what we would like to accomplish and also specifies immediate and the long term goals. But the guaranties are still missing.

In order to dissipate any vain hopes, let's establish the fact right now that most likely we will have to wait a long time for guaranties. One can see from the statements that there is no shortage of good intentions neither here nor there to settle the matter, but the distance is rather great when it comes to perceptions. And at the outset this fact will not change even if the delegations established by the agreements get on their way. It always depends on the host country what they will show and what they will discuss. There may be a need for objectivity in information, in reality, however, information is never unbiased.

But even if we consider all this, there now exists far more than complete absence of dialogue, far more than the exchange of messages without personal encounter. Thus, we can only welcome the fact that we have gotten thus far.

A number of signs suggest that there are differences. Considering Nicolae Ceausescu's discourse the other day it appears that they have a fundamental problem with our reforms. Moreover, he added that "they see danger" in our trend. On the basis of this one may conclude that the statement pertains not only to Hungary. After all, by now our efforts are shared by virtually the entire socialist family of Europe. But now, they tell us, let others, too, get the message. We may add to this that we, too, have opinions and comments concerning the methods by which power is exercised there, but that is indeed an internal affair, it does not pertain to us. We will be satisfied with our intention to improve the bilateral system of relationships. We are guided by the idea of preparedness to cooperate with all our partners. This gains added urgency in this instance by reasons of physical proximity and historic interdependence.

Another matter that has become unequivocally clear is that differences in viewpoint extend to judging the role of the press. They object to our tone of voice, to our openness. They have a right to object in the spirit of sincere criticism. The only odd thing is that we cannot understand their concern. Our newspapers do not reach anyone there, in contrast to Hungary where anyone can select from a large choice of Hungarian papers published there, even though those newspapers are not always friendly toward Hungary. In Hungary one can read even those papers which the other day published the full text of the aggressive remarks made by NODOM SZIMUMUN, and the publication of this text was obviously not unintentional. It dealt with the establishment of relations between Hungary and South Korea. Notwithstanding these facts we emphasize that we are not at all disturbed. We recognized a long time ago that silence is worth far more than the publications of information from several perspectives. Silence suggests that there is something to be concealed. But we have nothing to conceal. This was proven by our foreign minister's remarks made on Thursday evening's Forum: We undertake matters with a full sense of responsibility, after all, we are set out to improve, not to deteriorate matters.

This remains our unequivocal endeavor in the new phase of reconciling relations between Hungary and Romania. As the events of last week have shown, we have taken one step further. An opportunity lends itself to permit the process that began in Arad to evolve, and—this is not at all an ancillary matter—to prove in the eyes of public opinion that what did not take place pursuant to our intentions the first time, may perhaps take place in subsequent tries. Karoly Grosz' statement at the Szeged television studio left many frustrated. We made no secret of that at the time. But already at that time, what we knew already appeared as obvious: we are facing a

protracted, difficult phase of negotiations, one that is wrought with contradictions. At the same time, the efforts do not slow down even for a moment. The events of this week—Matyas Szuros' visit, the approved government program—may provide a boost. This is the time for everyone to manifest patience, understanding and good intentions on both sides of the border, so that slow-moving diplomacy may reach a safe harbor.

12995

## POLAND

### Historian Comments on Role of 'Myth' in 'Blank Spots' Examination

26000641 Warsaw RZECZPOSPOLITA in Polish  
30-31 Jul 88 pp 1, 3

[Interview with Prof Jarema Maciszewski, rector, Academy of Social Sciences [of the PZPR], cochairman, Polish-Soviet Historians' Commission, by Andrzej Jurczynski: "History Is Living Memory"; date and place of interview unknown]

[Text] In recent years we have been able to observe our society's growing interest in history, especially the 70 years of the Polish state. To satisfy this interest we requested an interview with Prof Jarema Maciszewski, rector of the Academy of Social Sciences and co-chairman of the Polish-Soviet Historians' Commission.

[Question] What is the role of history in the life of the people today? How does a historian and political activist see this issue?

[Answer] History is one of the most important elements in the nation's self-knowledge, an expression of its sense of identity. The ancients said that history is living memory and a teacher of life. I would call attention to the first part of that definition, that history is living memory. It is only a teacher of life as long as one understands that it is a process, that it expresses changeability in time. History does not repeat itself in identical form. If anyone believes that events proceed as they did before, he is making a big mistake. This was done, for example, by many politicians from various countries during World War II; they believed that the situational structure that was a consequence of World War I would repeat itself. Yet that could not have been the case because history does not repeat itself. But it does produce certain generalizations and warnings because it happens that similar causes produce similar effects. Thus history has didactic significance. It also elicits collective emotions. And in this area it is very close to politics. From ancient times, history, especially recent history—its interpretation, the selection of facts—has been a direct element of political life; it is simply a tool and a field for the contemporary political struggle. Its importance is all the greater precisely because history can generate collective emotions.

[Question] Exactly. We treat our history very emotionally, yet history requires distance, the cold eye of the scientist.

[Answer] A historian should have a cool head and a warm heart. One cannot go indifferently beside events and phenomena even very distant in time in the history of a nation because to some extent they affect the shape of the present. It is deeply rooted in the past and the future is rooted in the present. It is one logical course. And for this reason, an emotional reaction to history is warranted to a certain extent. But the point is not to confuse a sound, rational view of the course of history, of the present and the future. Unfortunately in our society—this has some historical justification—the public reception of history is excessively emotional. It is hard for us to achieve a cool appraisal, especially of those moments in history that later turned into legend and found their expression in the pages of literature. We know what role romantic literature played in the education of the people. But the picture it transmitted is not completely rational and this often causes a collision between the emotional state and a reasoned approach to these issues. I think there ought to be a sound balance between one and the other.

[Question] Professor, can we even talk about objective historical truth? After all, everyone can interpret the same historical fact in a different way.

[Answer] Historical truth is a very complicated issue. I always tell my students, if I offer information—for instance, that the Sejm met in 1606, then in 1607 and 1609, while in 1608 it was not convened, then as a rule they should believe me, because these events are sufficiently confirmed by sources. On the other hand, if I am describing the importance of a given Sejm session, it is with the realization that there could be several interpretations, depending on the methodological school, on the approach to the issue or simply on the historian's feeling. We know that in 1590 a religious union was entered into, the so-called Brest Union. Some people will glorify it and see many positive qualities in it while I feel—and I am prepared to cite numerous arguments—that it was a great misfortune because it warped the model of a tolerant, multid denominational and multinational state and introduced an element of disintegration that later played a prominent part in the breakup of that state from within. It is a question of approach, of interpretation.

I feel that interpretations are subject to change over the course of the development of history because we are always introducing new elements. There was a time when history was actually the history of events; later it was separated into various branches (economic, political, military, cultural history, etc.). Now there is a sound trend toward uniform treatment of the historical process, along with emphasis on its many aspects. If someone wanted to interpret a historical event via [only] one causative factor, he would be making a big mistake. It is impossible to explain such historical phenomena as the decline of Poland in the 18th Century and the rebuilding of the independent state in 1918 with one factor. One has

to take into consideration an exceptionally complex set of causes. The more we take into account concurrent elements, the closer we get to objective truth.

[Question] Science cannot abide equivocations. And in the case of history, myths arise that replace historical truth in the people's consciousness.

[Answer] That is not entirely true. Myths arise regardless of historical truth and one of the duties of historical scholarship is to separate myth from truth. One must also distinguish—at least I do this for my purposes—myth from legend, which is something positive. Certain historical facts grow or are transformed into legends. Often these are beautiful legends that constitute a constructive factor in historical education, often superseding knowledge about past events.

For example, no one claims that the legend about Piast, Krakus or Wanda is not an integral part of public consciousness and Polish culture. But this does not mean that these legends must be taken literally, although historians can also—hypothetically of course—pick out some element of reality from legend; the Wawel dragon, for instance, could actually have been some dangerous bandit. A myth, on the other hand, is something harmful; for example, the myth about the charges of the Polish cavalry against Nazi tanks. It was fabricated by the Germans to justify their argument about the Poles' lunacy, but it had to fall on fertile ground since it did spread. As we know, in 1939 the Polish cavalry fought tanks with firepower, not swords. Wajda, who depicted the lancers beating at a tanks with swords, showed a pseudoheroic fool, yet the truth about the soldiers of September was otherwise. The goal of historical science is to refute such myths. This can be done simply by answering in a positivistic way the question, how was it? Here we are approaching the need for a very precise rendering of the course of events. But that is only the surface of history. I personally feel that reconstruction of events is a science that complements history, and many of my colleagues do not agree with that. My point is to reach that second or third day of history.

[Question] The myths and equivocations we have been discussing cause the existence of so-called blank spots.

[Answer] "Blank spots" are a mental abbreviation. I divide them into two parts. The first is facts that are known and studied, but for various reasons, mainly political, they have not been made available as public information on the grounds that if one does not talk about a given fact, then it does not exist. An example of this practice is the Polish-Soviet war of 1920. We will not say much now about that war, but we must come to the point where every Pole and Russian can go into a bookstore and buy a monograph on that war and read how it was without embellishments or avoiding so-called "tough facts." It is necessary to show causes and effects. Similar "blank spots" in the profiles of certain people also emerged through concealment. Eliminating a name from a textbook does not mean eliminating it from

history. The second part of these blank spots is a set of much more complicated issues; it exists where adequate scientific research has not been carried out because sources have not been placed in circulation and, in connection with them, an inaccurate picture of history reality developed. Occasionally this was caused by ordinary falsification. It was a revision not of reality existing today, but of historical reality according to the demands of days gone by. And these are mainly the issues that should finally be clarified.

[Question] What blank spots do we have to clarify?

[Answer] For years myths and biases, as well as concealment and falsification grew up around Poland's relations with our eastern neighbors. Certain works on both sides of the border devoted to very distant times were dictated by the need of the moment. If Wacław Sobieski's book, "Zolkiewski na Kremlu" ["Zolkiewski at the Kremlin"] was published in 1920, then it had merely cognitive functions, just as Kozaczenco's book, "Rozbicie polskiej interwencji na początku XVII w.," ["The Defeat of Polish Intervention at the Beginning of the 17th Century"] which was published in Moscow in the late fall of 1939, ended with a conclusion that defied historical truth concerning the events of September 1939. Both books extended historical issues for the needs of the current moment. Our work, related to a thorough look at Poland's relations with its eastern neighbor, does not have the mark of impermanence. Its purpose is to clear away from this entire sphere the deposits of propaganda, falsification and concealment. The whole truth must be told—the good truth about the deep roots of our friendship today and the hard, painful, tragic truth.

The list of these issues is very extensive. It covers the period from 1917 to 1921 with full consideration given to the Polish-Soviet war, the tragedy of the Polish communists and the dissolution of the Polish Community Party, the change in nationality policy in the 1930s introduced by Stalin against Soviet citizens of Polish origin in Białoruś and the Ukraine (I am referring to the liquidation of Polish ethnic districts—Dzierżyńska in Białoruś and Marchlewska in the Ukraine), the genesis and first phase of World War II along with a full explanation of all aspects of the Soviet-German pact of 23 September 1939, the events of 17 September and thereafter, the pact of 28 September, the policy toward the Polish population in the years 1939 to 1941, including discussion of the question of deportations and infringement of rights by the repressive Stalinist system, the evacuation following Nazi aggression that saved people's lives but was also the cause of many tragedies, the Poles' contribution to victory, the deportation of some Home Army soldiers. The list is very extensive. We have nothing to hide here. One particularly important issue requires exposure of the whole truth is the Katyn massacre.

[Question] One can already say that the entire public is counting on resolution of these dilemmas. Will impatience and the anticipation of sensation not affect the quality of the research itself?

[Answer] That is a problem with which I am grappling personally. The pressure is enormous; I have been receiving dozens of letters enriching my knowledge, suggesting issues to be resolved and calling for speed as well. There are also letters that are caustic or that contain ordinary abuse. The mood of impatience, shown by journalists in particular, is making the commission's work decidedly more difficult. Yet just giving statistical data regarding deportations requires conducting arduous and long research using Polish and Soviet sources. We are doing this together with Soviet historians. After a certain time we will be able to give exact numbers. This is also related to placing new sources in circulation. We will soon complete preliminary research on three topics, including the fate of Polish officers interned in the USSR in 1939.

[Question] Cooperation between Polish and Soviet historians, the commission itself and its work—this is something new on a world scale. On what is this cooperation based?

[Answer] You have seen for yourself that we are maintaining close contacts. Our conversation was interrupted three times by the telephone, twice from Moscow and once from Lwów. We are conducting research jointly and trying to resolve various issues and we are carrying on frank discussions that are not free from academic polemics.

[Question] But blank spots exist not only in the history of Polish-Soviet relations.

[Answer] I think our history contains many other topics that should be taken up. This includes the history of People's Poland (enormous progress has been made here), the Polish emigration, the London government and Poland's relations with other countries. But Rome was not built in a day and a historian must have a certain distance.

[Question] To what extent does the historian take Polish *raison d'état* into consideration?

[Answer] Not just Polish *raison d'état* but also that of every nation requires telling the truth above all, because lies have short legs and always do more harm than good.

12776

#### **Bialkowski Blasts Leadership Elements for Blocking Reform**

26000029 Krakow *ZYCIE LITERACKIE* in Polish  
No 34, 21 Aug 88 pp 1, 4-5

[Interview with Grzegorz Bialkowski, rector, University of Warsaw, by Urszula Bielous: "We Have Very Little Time"; date and place unknown]

[Text]

[Question] The issue I want to raise has long been close to my heart. It is that in our society the mechanism of negative selection is particularly sharply evident, as is

quite generally being said. And although this is a generalized statement, we all are experiencing the harmful, in every respect, consequences of operation of that mechanism. Rector, sir, do you agree?

[Answer] There are, of course, valuable individuals who succeed despite everything. But, as the truism goes, they are the exceptions confirming the rule. This is not an absolute rule, fortunately. There are highly competent and intelligent persons who somehow succeed in evading it.

[Question] How do they accomplish it?

[Answer] I believe that this is due to some outstanding character traits thanks to which, in this unfavorable ecology, such individuals succeed in surviving without becoming frozen out or without drying out owing to lack of moisture.... They somehow survive.

[Question] You said, "In this unfavorable ecology." What do you mean by that?

[Answer] This unfavorable ecology consists of many things. Above all, it means so-called availability, or being handy. That is, a person charged with some position or office is expected to carry out obediently all recommendations, even those verging on an insult, recommendations sometimes given by telephone.

[Question] Silently, schemingly, covertly....

[Answer] Yes, precisely. Recommendations for which no one bears responsibility afterward. No proofs on paper are left either. I can imagine the troubles that a future historian will have in tracing the manner of decision-making.

[Question] So then, first, "availability" creates this unfavorable sociopolitical ecology, meaning that a society living in such an ecology for years is a sick society.

[Answer] The only weapon one has against such a machinery is an authentic defense of the principles substructing this system or, as they are sometimes referred to, "certain principles."

[Question] Which the society mordantly terms "just."

[Answer] And perhaps they are sometimes just. For example, the principle of social justice is just. To be sure, this is a very broad slogan and it can be variously interpreted. Or there is the principle of universal access to culture or cultural exhibits. Or there is democracy, of a sort, often preceded by the adjective "socialist"—I don't know why, considering that there is no socialist sale and purchase, because that is a social phenomenon,

just as democracy itself is a social phenomenon. The adjective "socialist" is a kind of garnish, perhaps a little self-protective so as not to scare oneself.

[Question] Scare with what?

[Answer] Democracy.

[Question] But let's again discuss principles.

[Answer] Well, the principles, of which many are just and many can be considered as his own by every decent person to whom his country's good lies at heart, unfortunately often diverge from practice. Because in practice there some excuse is always found: "Yes, but...." Yes, this and that is inscribed in the Constitution, but.... A defense against that so-called availability, misunderstood and misconceived as that concept is, should consist in that everyone who issues a recommendation should be forced to confront his recommendations with these principles, so that he would be aware of what he was doing.

[Question] In other word, the authorities should be made to keep their word. At the proper moment one should arm himself with this buckler against assaults on his persona, honesty, and personal feeling of responsibility.

[Question] I recall the paramount imperative of last year's Sixth Plenum of the PZPR Central Committee, "Rely on the Best and the Brightest." The Politburo report referred to the need to combat dividing people into "us" and "them" as well as to combat blind adherence to various kinds of conservative closed systems by various kinds of "nomenklatura." For there also exist lower-ranked nomenklaturas, at lower power levels. It also pointed to the need to open the road for sagacious, courageous, independently thinking, and even, as it said, "restless" individuals. I felt unnerved when I read about it, because I am thoroughly familiar with the mechanisms contravening such justified postulates and intentions. For in practice these postulates are torpedoed at lower administrative levels, although they sound so lofty from the tribune. It may be that First Secretary Wojciech Jaruzelski who presented the Politburo Report is rarely reached by news that its decisions and postulates are sabotaged at the lower power levels. It is often the best people that are driven out and the mediocrities that are relied on, even though the authorities never said that it is the mediocrities that should be relied on. For the party's principles include precisely relying on the best people. Yet in practice, the slogan followed for years has been, "Mediocre, passive, but loyal," because it is on such people that in reality reliance has been placed for years.

[Answer] And that is why, it seems to me, the help of the intelligentsia should be recruited.

[Question] Although it is claimed that the intelligentsia is being exploited.

[Answer] Just as it is claimed that in Poland there are no restrictions on personnel policy. And if that is so, then any qualified job applicant has an equal chance to be hired. Yet the personnel director at my university is familiar with instances of intervention demonstrating that this is not always so.

[Question] Hence, what is the conclusion?

[Answer] That those systemic principles which are just should be followed in practice and used against unjust systemic practices. This is precisely the form of defense, the buckler with which one can and should parry attempts to encroach on one's own personality and one's feelings of social and individual morality, and also use against "availability." Because if availability is to mean that a person forgets who he is, who he was, and merely carries out recommendations which besides sometimes are arbitrary or whimsical....

[Question] Or shortsighted, ensuing from the inability of certain decisionmakers at various levels to foresee the consequences.

[Answer] During my several years as university rector I have noticed that it is very easy to find a person who would do harm but very difficult to find a person who would be helpful. This is because one who wants to help has to say "yes." By contrast, many people are expert at evasive, squirming, and delaying tactics, in a word, at torpedoing undertakings covertly, under the surface. They do not settle matters that should be settled, or they do not settle them on time, and they are not accountable for that.

[Question] In 1957 the Po Prostu Library Series published a booklet by Professor Jan Szczepanski, "Inteligencja a spoleczenstwo" [The Intelligentsia and the Society]. When read now, it produces the impression of having been written very recently, because it contains analyses and observations which seem to ensue from subsequent studies and experiences. Yet, it turns out that already 30 years ago the mistakes made by the authorities in their treatment of the intelligentsia, mistakes harming the country's social, economic, and cultural growth, had already been accurately known. It is astounding that, inasmuch as that analysis had been performed so long ago and the cost of underestimating the potential of the Polish intelligentsia also was known even then, in practice the findings of that analysis were not utilized.

[Answer] The resulting social consequences are glaring. I have said that at times discrete individuals succeed in evading [the abovementioned machinery of negative selection] but the net of that negative selection as you call it catches practically everyone and it is extremely difficult to penetrate.

[Question] It is amazing that this mechanism has persisted so long and even consolidated itself.

[Answer] Please consider that availability is linked to repressiveness. If at the time when this [communist] system arose and began to be consolidated there had been no repressions for lack of availability, the shape of this system would have been different, I believe. But it was and continues to be shored up by repressiveness, although in an incredibly milder form than during Stalinist times. For that repressiveness still exists. And for this very reason availability could become consolidated. Please consider what happened in 1968 [suppression of the Prague Spring] and how many people had proved to be "available" at that time, serving a cause which had tragic consequences and brought infamy upon this country. This happened only 20 years ago. It was only some time in the mid-1970s that repressiveness began to gradually diminish, to an extent that, of course, differed depending on the place and the issue. Some availability and repressiveness persists to this day although essentially we live in different world from that of 40 years ago. I think that preserving availability in the presence of a diminishing repressiveness will prove impossible in the long run—except, do we have that much time to wait for it to happen? Of course, in time this phenomenon would disappear of itself. But we do not have that much time, because we live in a deep economic crisis and in the presence of a terribly excited impatience of the society, a dual impatience as it were since it is both good and bad; good, because everyone is awaiting the right to live normally and bad because he is waiting to be given that right. People expect to be given certain things.

[Question] "They" will give. Indeed, we are a society of claimants.

[Answer] This is because over 45 years the economic literacy of Poles has been greatly distorted. Since the citizens have been expropriated as it were, they naturally expect the government to satisfy their basic wants. Now if the authorities had been capable and satisfied the wants of people, many people would willingly live in a cage so long as it is gilded. In a healthy economic system everyone works for himself and attempts to assure an optimal quality of life for himself. I suspect that the distorted economic literacy of Poles will be, whatever the situation, a major obstacle on the road to independent development.

[Question] Poles have always been arguing that the wages they receive do not make it worthwhile to work productively. So then, where does the dividing line between the authorities and the society start and end in this respect?

[Answer] Perhaps we should proceed by comparing our work ethic with that of other societies; the comparison is hardly in our favor. Moreover, in this country there exist many feedbacks linked to varied political syndromes, on a much more frequent scale than in other socialist countries. Then also there are other factors linked to the work ethic, such as national and Catholic traditions which cause people to believe that—forgive me for

saying so—owing to the decision of some higher powers, Poland shall survive eternally. I myself believe it. What a living example of irrationalism. Further, this has involved the rise of political-economic linkages, each leaving in the society a sediment of bitterness. If we were to perform a geological cross-section of the soul of a Pole living in Poland for the last 40-50 years, we would find in it black strata following each successive crisis, when it had seemed that things would start moving, afterward they did not. What remained was only a feeling of embitterment and discouragement.

[Question] If we consider this symbolic diagram of the soul of a Pole, Polish society at present could be absolved of the sin of lacking drive or motivation for working better. The people are incredibly wearied.

[Answer] And embittered. That is why we no longer have time.

[Question] The situation of the Polish intelligentsia—not all of it, because some are doing quite well—is dramatic, without exaggerating.

[Answer] Relatively speaking, it is much worse than that of workers.

[Question] What are the average earnings of a member of the teaching faculty at your university?

[Answer] Twenty-five thousand [zlotys, monthly], maybe close to 30,000. This is the pay of the most numerous group of university teachers, namely, adjunct professors.

[Question] I'm acquainted with a retired seamstress who keeps on working solely in order to provide financial support for her son-in-law who is a university teacher. I am not going to cite the trivial joke about the plumber who tells a university teacher that he did not have to study so long in order to earn many times more. It reflects contempt for the intelligentsia. The authorities take notice of workers as makers of goods, but their treatment of the intelligentsia is quite the reverse; they do not understand that it is the brain of the society and that without its thinking we shall increasingly regress. And actually we are regressing at a terrifying pace.

[Answer] If priorities are set so that preserving power comes first, it is the menace to power that is the first to be eliminated. And the decisionmakers think that this menace can only come from the working class. Thus, this menace is being patched up and plasters are applied to it so as to obscure the ulcerating wound. But as for the intelligentsia, the authorities do not feel menaced by it. That is why they take no heed of it, on the whole, at any rate.

[Question] I wonder whether the authorities might not begin to become aware that unless they treat the intelligentsia properly, cherish it, and show concern for its high

status, our country will be menaced by a growing danger, considering that even now the last alarm bell may be ringing? The most enlightened and best educated, or simply extremely competent, individuals are leaving this country.

[Answer] What you are speaking of is one of the intentions of perestroika, but it also is one of the most difficult to translate into reality.

[Question] What perestroika are you referring to?

[Answer] The perestroika that to a varying extent is spreading through the countries of our camp.

[Question] In my opinion, in this country perestroika is not too palpable.

[Answer] I agree, but the intent, the tendency, is that it become palpable.

[Question] It is true that the authorities at present face their greatest challenge, because they have to make up for all the mistakes of their predecessors as well as for their own awkward moves. It has to be understood, of course, that it is not easy for the authorities, which are moreover burdened by the ballast of old habits, but really that is all the more a reason why the authorities should enlist the help of trailblazers of development.

[Answer] Are you aware of what is actually happening? The consequences of the government's policy toward the intelligentsia are such that this year new enrollment at polytechnics is incredibly small, which is hardly surprising considering that an engineer in Poland earns much less than a blue-collar worker. Poland is being threatened by not only an ecological but also a civilizational catastrophe. Hence also my firm belief that we have terribly little time. Nevertheless, there is a shortage of courage or even resoluteness to make any significant moves. The pace of changes in the Soviet Union is, whatever else might be said about their level, much more rapid than in this country. After all, the Russians have a much greater distance to cover.

[Question] I have the impression that our government fears being bold, so to speak.

[Answer] Please consider that 6 months have already elapsed since the student events which took place at the University of Warsaw starting last February. In the intervening period some regulations could be issued or some other ways devised to, e.g., pay higher student stipends or allow the registration of student body government, or register some academic league. In reality, what happened was that when a Catholic student organization was formed, its registration was refused. After all, something could have been done during those months. But nothing is being done, as if nothing were to happen during the next 5 years.

[Question] This is placing you in a difficult situation, instead of placing in that situation those who should be made accountable for it but somehow feel no responsibility for it, or however else it might be termed.

[Answer] The imagination needed to do something is in short supply. Really, I stress once more, time is short. Our situation is such that we cannot afford to consider tranquilly a plan for 1990 and at most we can consider what we will do in September 1988.

[Question] Our authorities have 45 years of experience. They can draw from it all sorts of conclusions.

[Answer] Perhaps the conclusion they draw is that they can survive anything. Perhaps this may happen.

[Question] I simply cannot understand how can it be a threat to the party if it admits the best people, as its declarations run, and eliminates those mediocre and seemingly loyal followers. They are loyal only insofar as they realize that, being mediocre, they can find no support in themselves, cannot count on themselves in the sense of being intellectually independent.

[Answer] Please, you don't have to put everything in such black and white, although there is considerable truth in what you say. It seems to me that within the apparatus of power there is a sizable group of persons who believe that that the status or pace or direction of changes conflicts with ideological premises. Theirs is a vision of socialism that seems to me unjustified, i.e., a schematic, bureaucratic vision which has outlived itself and is inauthentic.

[Question] The Stalinist schema still persists, though it is now ragged at the edges.

[Answer] Yes, though softened by the absence of Stalinist repressions. But on the whole it still is Stalinist. Well, the habituation to this schema results in that the apparatchiks cannot conceive any other model of the system. Because what is the definition of socialism, properly speaking? And when is my position anti-Stalinist? When I want the wellbeing of everybody except that to this end I must see an [inefficient] enterprise go bankrupt, for example? Sure, the workers affected might be temporarily badly off, but does this mean that I am an antisocialist? Of course, I am asking a rhetorical question. But my point is that the systemic principles are not well-defined.

[Question] There still reigns a huge conservatism that precisely ensues from old longtime habits. And these habits also include fear. It is not inscribed in them but, as known, fear is a hobbling element.

[Answer] Yes, and there are some apparatchiks who believe that if the door to open-minded people, that is, as they see it, to people with their heads in the clouds, were opened then these principles would be in some way

violated. But it has to be realized that a brainstorm does not necessarily at once engender a social upheaval. At any rate, one thing is certain: thinking aloud, discussion, and open criticism should be allowed—this is a task for the intelligentsia.

[Question] Of a certainty this is not "antisocialist" activity. This is activity of a new type within the party.

[Answer] In general, I wonder how is the word "socialism" to be interpreted today. The way people employ this word, it is as if they were beslaving it, whereas there is something noble about it and in its traditions. Yet it has completely forfeited its power, just like a coin that used to be valuable but owing to continual use has become so worn as to be no longer of any value. It seems to me that the meaning of the word "socialism" today should be precisely defined, and we should also define precisely what we still are ready to agree upon and what not. When I say "we," I do not necessarily mean the authorities. "We," meaning people who in general desire socialism.

[Question] People who, above all, want to live normally—decently and prosperously as Gierak had been proposing.

[Answer] "To apportion equally." I agree. But first there has to be something to be apportioned. And that "something" has to be produced first.

[Question] I have, however, the impression that the authorities are not listening to the society. That, despite the best intentions of certain decisionmakers, somehow they cannot move things from the spot.

[Answer] They are not listening because they themselves are all the time vociferating. I am reminded of an operatic chorus which sings, "Let's go, let's go, let's go," but all the time is rooted to the spot. This is appealing for motion when the appellant himself is motionless. Were not it for the fact that this may have tragic consequences, this would be a grotesque situation.

[Question] For years principles have been supplanted with slogans, so that now, instead of telling what is necessary, action is simply needed. Besides, you are a physicist and so you can demonstrate this better, logically.

[Answer] Perhaps I'll cite precisely a humanistic example. As known, Aristophanes wrote plays directed against Athenian democracy, and for them he received awards and wreaths from the Athenian people, even though it was the subject of his derision. It seems to me that this is a most favorable testimony on behalf of the Athenian system of society. In citing this example I wish to state that our government will enter history as one which does not permit the appearance of works of art and thoughts that are inconsonant with its system of society and mode of exercise of power. It will pass the test of history if it

succeeds in stimulating all that richness of intellectual life in this country, including thoughts that would also partially be directed against it.

[Question] If only it would not be fearful.

[Answer] Yes, because these tendencies weaken the authorities only seemingly; in reality, they strengthen them. I try to explain this sometimes, but somehow I fail....

[Question] Whom did you try to explain it to?

[Answer] Even at the PRON [Patriotic Movement for National Rebirth] Congress, in my address, in which I had declared that our adversary is our best friend.

[Question] Are you in touch with representatives of the authorities?

[Answer] I discuss various topics with them, and sometimes our conversations are stripped down to such basics. I also am a member of the Consultative Council and there too I try to voice my abovementioned view.

[Question] You are the rector of the University of Warsaw at a time when dialogue with youth is probably harder than ever. These young people are probably often wondering what is the purpose of their studies considering that after they graduate their personal and career prospects are far from the best. How do you look at it?

[Answer] Indeed, we are constantly asking ourselves what we have, properly speaking, to offer our students. As a rector it matters chiefly to me to provide them with quality instruction. I am responsible for this and, insofar as possible, I believe that this is being accomplished at many departments. Of course, I also think of the future and wonder if there are any guarantees that my A-grade graduates will get a better job than C-grade ones. There are not any. On the contrary, I believe that the likelihood of the A-grader's getting a worse job is greater.

[Question] This precisely is the reason why I came to see you. I am constantly asking myself why that negative selection starts at such an early stage.

[Answer] For there is the fear that A-grade students will think more independently and be less "available." I am reminded of a story linked to our own campus: a highly promising Ph D in physics decided that it was his duty to be a schoolteacher. But when he applied for teaching jobs he was rejected whenever he submitted his vita. He was rejected not only by the teacher community but also by school directors, because these feared that a university graduate would be a "troublemaker."

[Question] That is, this story proves, once again, that individualism is a threat.

[Answer] At any rate, to lower-level decisionmakers it is a formidable threat. Thus, high qualifications are not at all a guarantee of better employment providing the individual with broader possibilities for action. Not everyone works solely to make money; thus it is not a false ambition if someone desires to demonstrate what he is capable of. It is good that such individuals exist. It is very bad that they are gotten rid of or placed in lower posts.

[Question] Just before the Seventh Central Committee Plenum, which dealt with personnel matters, analyses were published indicating that many wise and enlightened individuals usually have limited chances for job advancement and there is a level beyond which they do not go any higher. And even if at certain periods of time, e.g., after "thaw," they were admitted to higher offices, it was usually not for long.

[Answer] Perhaps you noticed that often it is the most zealous representatives of the opposition that are former party members?

[Question] Yes, although many idealistic party members have not joined the opposition despite their having lived through a terrible tragedy when, after having laid the foundations for this system of society they were, as highly educated people, brutally shoved aside to marginal posts. I refer to the so-called rank-and-file idealists, old communists, who devoted their lives to the idea. If only the restructuring would be directed toward a return to the old forms and ideals.

[Answer] Few can indicate how this can be achieved. It is difficult. It seems to me that any party, under every system of society, even under systems of parliamentary democracy, which has exercised power ceaselessly for several dozen years, is prone to deformations of this kind. Except that [in a parliamentary democracy] it would ultimately lose in the elections, whereas in this country it cannot lose elections. The worst, however, is that the apparatus of power continues to attract mediocrities, nonentities, because it is difficult to manipulate thinking people. For this reason, the party continuing in this form, with these mechanisms of action, is bound to grow hoary.

[Question] The complacency of power.

[Answer] Obviously. Let me even tell you that as a rector I myself would find it more convenient to tell a dean to do this or that, to command him. But I shall never do that. Even though the university statute does not obligate me to consult the Senate, I do it with regard to important matters, because I believe that the proper way of exercising power is through broader consultation. The kind of power that means giving orders is not to my taste.

[Question] Could you describe the manner in which you exercise your powers?

[Answer] Above all, I like very much to be surrounded by a great many diverse individuals and opinions. I do not necessarily share all these opinions, and with some people I am completely in disagreement, but I like them to be present. Two levels come into play here: the second level is what I agree with and the first is that I like a colorful world even though some of the colors are not to my liking. The existence of this broad spectrum is a supreme value. I am glad when something new arises from this variety of hues, as when a new group is formed. Currently, for example, my students want to establish a Bielorussian society. I am very pleased about it. I was also visited by a group which defined itself as "conservative liberals"; they wanted to establish a debating club. I would like to embrace them all, even though I am not certain whether I want to define myself as a "liberal conservative" or a "conservative liberal".... I also have [on the campus] some eight members of the illegal KPN [Confederation for an Independent Poland].

[Question] I suppose you don't feel menaced by this.

[Answer] No, not at all. I also have several anarchists—allegedly, because I have not met them yet. So then these are various hues. I am not in accord with them all, if not with ideals then with methods of action.

[Question] How do you treat them all?

[Answer] They all are mine. I don't consider any group as "foreign." I talk with everyone—with the ZSP [Polish Students Association], the ZSMP [Union of Polish Socialist Youth], the NZS [Independent Association of University Students], and the "Che Guevara" group, although I am not an admirer of that man.

[Question] Last May there was a major student strike at your university. I should like to know what did you learn from that experience, and what did you learn about the arguments and language employed by the authorities to persuade the society?

[Answer] That strike was to me a signal that there indeed exist words which can persuade 90-95 percent of our society, and that these words should be uttered—but not by rote and repetition, rather that they should become an inner melody to which the individual listens inwardly.

[Question] What words can be they, speaking generally?

[Answer] Above all, be with others and at the same time be yourself. People should be allowed to disagree with each other. If I speak as my own person and if my audience feels that I really believe what I say, then even those who have some reservations accept me and are in contact with me.

[Question] People lack authoritative individuals to look up to, to believe in, unless they already believe in something.

[Answer] You are right. And such authority can never be enjoyed by a mendacious person who is not true to himself.

[Question] You said that you are concerned about quality instruction for your students. This means that you are bound to have quality teachers. Could you explain how can they try hard to teach well when their salaries are so low?

[Answer] Not everything is being done for pecuniary reasons.

[Answer] And yet, how often one hears students say, "If only I could at least get a C."

[Answer] Because they feel that an A grade is not respected socially.

[Question] In that case, why do your faculty try so hard to provide quality instruction?

[Answer] Well, you see, that is like throwing a lasso and capturing a soul; perhaps some let themselves be thus captured, ... some of those young sensitive people whom a word, an image, suddenly reaches.

[Question] Is it possible to transmit not only knowledge but also a part of one's own soul?

[Answer] One can try. I think yes, to some students. Certain students even emulate their teachers. They are people who have in them some love for others and to whom it matters to give something of themselves. And there are people who take it. They do not have to be petty individuals. Later, they use it as a basis for building something. There is a known saying that was used once by Newton but is of an earlier, medieval origin: "I could see farther than others, but that was because I stood on the shoulders of giants." In Newton's case this saying is suspect, but for totally different reasons. But as for this saying itself, which derives from the 12th century, it is a very wise one: people who stand on the shoulders of their predecessors indeed have the opportunity to see farther.

[Question] Rector, sir, can any of the classical laws of physics be applied to our social and economic life in order to serve as a model for building a healthy, efficient structure of societal life? After all, the exact sciences are very logical.

[Answer] This is a very good but also a very difficult question. Good questions usually are difficult. The exact sciences have a logic of their own, but the question arises, what is human logic? Is the logic of nature the same as human logic? Consider that in many cases when a human being makes a discovery, he wonders whether it might not be essentially absurd. And it may be that the logic of the social fabric also is absurd. Meaning, it may be absurd but it is there to be discovered and rationalized. Except that it is absurd from the standpoint of

so-called common sense. Just as quantum mechanics may be, and is, absurd from the standpoint of common sense. While working in Copenhagen in the winter of 1927-1928, Heisenberg wrote, "In the evenings I would leave the Institute and walking in the streets, wonder how could it be possible for nature to be so absurd." Who knows, perhaps the nature of the human society also may be absurd in this sense. This does not mean that laws are absurd because they transcend the human mind. They may be absurd in the sense that they are not readily acceptable to common sense. And that is why I don't know whether the logic of the fabric of society might not at times differ from the logic of inanimate matter with which the physicist is dealing. But let me tell you why there is another reason why this is a good question: once something is already known, it is natural to try and apply it to things which are not yet known, in order to broaden the scope of the phenomena encompassed by these laws.

[Question] Is it also possible to transmit to students moral and spiritual values?

[Answer] Please, a man ponders above all whether he himself has these values to a sufficient extent. Hence, in my opinion, this question has to be approached calmly. Because the moral law is inherent within everyone, except that it may be overgrown by weed of quotidian life. But I think that at the bottom of his heart each of us is sensible to a certain law. That is, what matters is the, I would say, Socratean attempt to reach that truth which each of us carries in himself, to discover it oneself in oneself.

1386

### **Pact or No Pact, Market Economics Must Be Introduced**

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in Polish No 36, 4 Sep 88 p 4

[Article by Ernest Skalski: "Perhaps We No Longer Understand Each Other"]

[Text] At one time when the term "social agreement" became a buzzword, it was of no importance that the person who introduced it was Jan Glowczyk, then the editor in chief of ZYCIE GOSPODARCZE. At present the "anticrisis pact" has become a similar buzzword, but in this case its author [Bronislaw Geremek, a Solidarity adviser] is a person who seems to matter to many people. If the attempts to substitute that term with the "pro-reform coalition" were motivated only by illwill toward him, that would be merely a proof of pettiness which hardly fits the importance of the moment and the problem. But there exist apprehensions that behind this substitution of terms lies a kind of mentality that does not fit the times, and that an erroneous appraisal is bearing fruit in the form of an improper approach.

### **Crisis or Catastrophe?**

So long as the government is not disavowing its spokesman [Jerzy Urban], his opinion on major issues has to be considered the government's opinion. And he claims that the crisis which had existed in the early 1980's no longer exists, and that things are not good but they are no longer critical.

Instead of reflecting on the meaning of the crisis let us directly discuss the situation so as to determine not only what is happening but also why.

In the late 1970's and early 1980's occurred a sudden economic collapse, with a decline in output and consumption, shrinkage of public wealth, growth of indebtedness, worsening of supplies, rise of inflation, and widening of the civilizational gap compared with the developed countries. When after some time the same occurrences arose in other socialist countries, it became impossible any further to throw the blame on the "arbitrariness of Gierek and the anarchy of Solidarity." The causes of this collapse—at that time everyone agreed on calling it a crisis—must have been systemic. However, the system was to undergo change in the course of the economic reform commenced in early 1982.

The coeval decline was opposed to the former dynamism of socialism, which the reform was to restore. It is difficult to say whether it was precisely the reform that had at the time influenced the situation, and it rather seems not, but in practice that dynamism began slowly to be restored, and this produced practically disastrous consequences. Why?

The socialist economy is by its very nature non-accountable. What in a market economy represents the economic factor—money, prices, wages—shaped by economic processes, in this country is determined by the officialdom and reflects the rulers' preferences more than it does the economic conditions. In this connection, the real value of things is unknown, and so are the ratio of outlays to results and real profitability.

In order to operate, and to grow as well, the socialist economy must, like any other economy, consume labor, raw materials, manufacturing plant and machinery, infrastructure, and environmental resources (water, soil, forests, the atmosphere). [In the socialist economy] some of these values cannot be expressed in financial terms, while others are expressed conditionally. Just as conditional is the [official] value of anything produced by that economy. Thus, by arbitrarily manipulating prices it is possible to officially demonstrate, in the form of what is called the Gross National Product, that some or other particular domains of the economy, as well as the entire economy itself, are or are not operating profitably.

The fact that prices of anything and everything under real socialism are an abstraction, does not make abstract any of the goods consumed or manufactured in the

process of production. Labor and consumption are real, not abstract, and likewise materials, tools, and products are real, not abstract. So long as output increases and the apparatus of production itself grows, we can pretend that we are making progress, because we do not know, and neither do we consider, the price at which all this is achieved.

Being ignorant of that price, the society contributes to this process. At first, however, natural resources and environment are still available for exploitation and it is possible to expand employment by paying low wages. But once all this potential for "extensive growth" is exploited, there still remains foreign credit, as in the decade of the Gierk dynamism. And once the credit is exhausted, the inevitable consequence sets in, namely, the crisis and collapse. This is accompanied by political unrest, which darkens the picture of the economic situation and adds additional perturbations. (In order to avoid yet another dispute, which is not needed here, we shall omit discussing and assessing the nature of these additional factors.)

This is followed by stabilization. Temporary political disturbances and their direct consequences to the economy, which compound and exacerbate the crisis, come to an end. But the crisis itself is not temporary. Some improvement occurs, but of the kind that resembles expelling a goat that had been temporarily brought into an overcrowded house. The same mechanism is wound up all over again. Output and hence also GNP, as reckoned in the traditional manner, again begin to increase. The supply of market goods increases somewhat. Yet even earlier that was how output grew for some 40 years and it was precisely this that led to the depletion of resources and the crisis. This time the resources do not suffice for at least the reproduction of fixed capital, so that decapitalization continues. They do not suffice for debt servicing, so that the indebtedness continues to increase. To be sure, there is a temporary increase in the supply of market goods, but the market imbalance is growing and inflation is rising. What kind of surmounting the crisis is that, considering that the remains of natural resources are simply being plundered, the machinery pool is being worn to a frazzle, and the infrastructure and natural environment are being devastated just in order to assure the growth of current output?!

Compared with the rather artificial nadir of 1982 that increase even looked imposing in 1983, and it was not bad in the following year. But subsequently things got increasingly worse, and by 1987 we had at best stagnation, concealed by statistical error or dishonesty, while the present year is probably even worse, although following some fluctuations of the figures for the first half of the year, a high growth rate suddenly set in.

Despite the critical assessment of the general situation by Wojciech Jaruzelski, the crisis no longer—still?—exists so far as the government is concerned, inasmuch as

output is still higher than in 1982. Must we wait until output decreases? Truly, to err may be human but to persist in error is of a certainty inhuman.

### Appearances and Palliatives

The "liquidation" of economic rights has considerable justification as the "sole valid" solution during the initial period of real socialism. In lieu of chaotic action under capitalism, leading to crises, inequalities, and decline, rational management of what used to be elemental is introduced. But the ending is predictable: the dismantling of the market economy by the system of society is finally acknowledged to be a mistake, but only as regards the external aspects of that dismantling.

The mistake lies deeper, however. It is harbored not only in misinterpretation and overconfident measures but also in the very nature of the system. For when the state becomes the owner and direct manager of the economy, when it becomes the sole or almost the sole employer and at the same time the legal superior of its employees, or rather, actually, its subjects, then the economy becomes captive to a single company, as it were. And this entire structure resembles economically, socially, and legally a feudal estate that has grown to a monstrous size.

Within the confines of such a structure, managed by a sole owner, there is traffic in products but no traffic in goods, because a product that is not for sale is not a good. Likewise, there can be no sale-purchase transactions without a change in ownership. Does transferring state grain from a state threshing floor to a state barn constitute such a transaction? Does transporting state coal from a state mine to a state steelworks constitute such a transaction? Does reckoning this movement, after a fashion, in financial terms, with corresponding calculations and debiting and crediting according to officially fixed prices, constitute a financial transaction? No, because an open market can exist only when transactions are performed among independent and separate entities rather than within the confines of a single entity, however large and complex it may be.

This may seem a purely theoretical issue, but we experience on our own skin the inability to conduct a rational economy. People can be fooled by appearances, but the economy cannot. However this may be called, and whatever the nature of the internal clearing of accounts or even the introduction of [primitive] stock exchanges or bargaining, this kind of trade will always be a sale consisting in the exchange of a mongrel dog "costing 100,000" in return for two mangy cats costing "50,000 each."

The autonomy of enterprises may be mentioned, and they may even begin to be termed entities, as is already being done in government documents. But there is not and cannot be any real autonomy of these entities so long as there exists a central government which: fixes the prices of raw materials, machinery, and products (even if

they only be basic prices); controls wages; fixes the currency rates of exchange and disposes at will of the foreign exchange held by its economic entities; arbitrarily fixes the tax rates for and grants tax exemptions to the same entities; controls the allocation of basic producer goods; fixes output targets under the appellation of operational plans and government orders; organizes market supply; handles a majority of investment projects; and can arbitrarily create, divide, and merge economic entities and appoint and dismiss their directors by drawing on the "nomenklatura" [party elite] and emergency powers.

All this can be explained away [by the authorities] and termed guiding the economy by means of economic parameters, but what kind of parameter is that when the authorities can determine it ad hoc according to actual need? Thus while in the same breath it is mentioned that, under the reform, economic entities should be granted autonomy but at the same time the government should be strengthened, it is readily seen that these two desiderata are mutually exclusive. And as for establishing a free market, that certainly does not come into play—unless that market is preceded by a leveling adjective (according to Jacek Fedorowicz [satirist/performer]).

The entire reform impetus is to be directed against the intermediate levels, but that is essentially shamming. True, these intermediate levels are conservative and cumbersome and they complicate simple matters while constituting an additional burden themselves and, most importantly, they represent a lobby for parochial interests that conflict with social interest. But for all these sins they still are not the principal obstacle on the road to a market economy; that obstacle is precisely the central government, which represents the center for decision-making and the state's omnipotence in and omniproprietorship of the economy.

The elimination of these intermediate levels, which also is needed to introduce a market economy, is substituted with their reorganization, that is, mainly, a change in plaques. The coal and steel communities, the voluntary associations of enterprises, the socialist concerns, the commercial banks, and the joint-stock companies or corporations—they all remain as before structures created from the top and acting as the superiors of economic entities [enterprises]. This also is happening with cooperative unions, from which cooperatives can secede in theory but do not, because it does not pay them, or with the industry and trade departments of local administration—let alone party committees—which, despite the new Decree on Enterprises, still succeed in preserving most of their principal powers. Here, too, the reality does not fit the plaque-changing. Anything that creates a bureaucratic machinery always remains a bureaucracy even if it pretends to the name of a concern or a joint-stock company formed by entities with an equally sham autonomy.

The employees of that bureaucratic machinery, who are being accused of indolence, laziness, and conservatism, actually demonstrate huge energies, inventiveness, and flexibility during the reorganizing process. Not only the coal and steel barons but also the chairmen of gmina cooperatives did not let themselves become victims of the second stage of the economic reform. So long as the state's powers of omnipotence in and ownership of the economy exist, the government can avail itself of these powers only with the aid of a bureaucracy needed in order to cope futilely with the problems created by its own existence alone. On the one hand, the state may be interested in trimming the size and cost of the bureaucracy and making it more efficient, but on the other hand, after all, that bureaucracy represents the social and political base of support for the system, and hence it also must be preserved.

Summing up, a reform that introduces the market system must be accompanied by a genuine autonomy of enterprises; therefore, it must dislodge the state from its dominant, omnipotent and omniproprietary position in the economy. The reform's effectiveness must therefore be evaluated according to whether and to what extent it is approaching this goal. None of the planned or implemented measures can be said to meet this criterion.

#### Scaring the Public

A certain dissonance is felt in broadly understood government propaganda so far as reform matters are concerned. On the one hand, there are the polyphonus appeals for the reform and mutual assurances of resoluteness on this issue, which resemble a parade of riflemen or an operatic triumphal march. Orchestra, chorus, gesturing, stamping of feet. But what is moving at most is the stage turntable. On the other hand, the concerns and fears of the public relating to the market system are publicized. In this connection, the authorities are not at all using their mass media to try and convince the public about the groundlessness of these fears and hence also the validity of their intentions but, as it were, share these fears and attribute their caution in reforming to concern for public interest.

The society's fears are indeed a fact, but in the light of sociological studies they do not appear to be as great and overwhelming as they are presented by the government spokesman.

There is no known reason why supplanting an incompetent and inefficient system with a competent and efficient one should entail an overall cost that would exceed the expected results. What matters is who shall be the sufferer from this conversion. And since that would not be the world's first market system, its shape can be more or less visualized.

Well, we are being frightened with the supposed elemental price hikes and incredibly high cost of everything against which we are supposedly being protected by the

current system of official price fixing. But on an uncontrolled market the prices would never soar as high as the officially fixed prices which may be raised by fiat 100 or 200 percent from day to day. In a market economy, indirect taxes also may exist but, aside from alcohol and tobacco products, it is hard to conceive of "all kinds of surcharges," "accumulation," etc., that together supposedly cost much more than production cost. In a market system, certain kinds of production, chiefly farm products, also are subsidized. It also is not unlikely that "the moment of truth" will reveal that certain subsidies serve solely to cover up the wasteful and destructive production of steel and energy or extraction of coal, while as for food, they cover up the cost of an incompetent and dishonest apparatus for procurements, production, and distribution. Besides, there can be no mention of market-regulated prices without market-regulated wages, which are nowadays more than twice as high as in prewar Poland [as published] when allowance is made for their share in the sales of products. Thus it would seem hard to believe that, under a market system, working people in a Central European country toward the end of the 20th century will not be capable, even in a country as neglected as ours, of earning during their working life enough for a minimally decent dwelling, just any car, mass-produced clothing, and a basic diet that includes a decent piece of meat. Those who frighten the public with the bugbear of the market economy, if they believe what they say, view that economy through the eyes of the novelist Reymont in "The Promised Land" or consider the reform to be nothing more than unremitting price hikes.

There also is a colloquial saying current that we would like to have capitalist stores yet preserve socialist factories. This can be said by people who have no idea what the average factory in the Polish People's Republic is like, with its obsolete and continually breacking down machinery, with stoppages that tire and burden workers, with its large number of overtime work needed to make ends meet, with its predominantly arduous, unsafe, and noxious working conditions, with its filth, litter, and disorder, and lastly with the wages it pays, which generally are insufficient to make a living. It is true that there are loafers among workers, but the basic majority of workers do work hard and, as CBOS [Public Opinion Survey Center] figures show, only 6 percent work 8 hours daily while about half of the remainder work 8 to 10 hours and the other half, more than 10 hours daily. (Note: Mention is often made of the very short work week in the Polish People's Republic, which is true with respect to the statistical average employee at a particular plant but not with respect to the overall time of his work if other workplaces are included. On the national scale, however, it is the overall total of work hours that counts [i.e., including moonlighting].) Moreover, supporting oneself and one's family requires a colossal effort and inventiveness in view of the time that has to be spent on shopping, repair, services, commuting, etc. To top all this, they have to listen to accusations of being "lazy Poles," made chiefly by those who are responsible for

this situation. Then also there are those "entitlements" which we supposedly are to forfeit if the present system is forfeited! Suffice it to consider what is happening to the value of old age pensions, annuities, and allowances, to the health service, promotion of literacy, recreation, housing, municipal utilities, and all else, and what it all points to, in order to realize that in reality we are hardly taking any big risks.

The concern for the fate of the authentically underprivileged groups in the event of transition to a consistent market economy also appears dubious. After all, it is exactly the underprivileged who are at present leading an increasingly marginal existence and suffer the most from all the inconveniences of the present situation. It is they whom the present system hurts most. Is it conceivable that under a more efficient system producing greater resources for all purposes, including social welfare, in a society that after all is Christian, and which despite everything is imbued with a socialist mentality, the underprivileged would be worse off? Of course, the collapse of many economic and administrative structures would be inevitable, but that would be like removing a burden or plugging a bottomless hole. That alone would release huge resources for, among other things, funding social welfare.

It is fairly easy to identify the loser if there is transition to a consistent market economy; generally speaking, it would be the authorities and their apparatus. Since a market economy is not directed, because it directs itself, the government then relinquishes a vast range of powers and the entire quasi-economic but actually merely administrative apparatus. This will no longer mean changing the nameplate from that of a government office to that of a joint-stock company or "concern"; this will mean the complete forfeiture of the government's traditional role in the society. Even if a majority of these government employees order their lives much better in their next reincarnation, there will be no guarantees that they can do so and, secondly, this means their social downgrading as seen from the present point of view.

It is of independent interest that this can be discussed and taken into consideration, provided that this is clearly posed. In this case, however, the problem is camouflaged with the defense "of the underprivileged groups" or sublimated in the form of public interest supposedly dictating an abstract and unfeasible model of a "socialist market economy." But an economy can only be either a socialist economy or a market one. (Note: This does not preclude the—faulty—operation of market sectors side by side with the state economy which, however, does not change its nature within the domain it governs.)

Now let us consider not the cost of the market model, but the cost of switching to it. It is assumed in the dark that this cost will be high, but this has not been explored open-mindedly. Instead, it is reckoned by analogy with the cost of building the present system of society, which

weighs down our awareness, and therefore the mistaken assumption is inferred that a market economy would likewise have to be built just as arduously and at the cost of similarly great sacrifices.

What is not borne in mind, however, is that, by contrast with socialism, a market economy is not an idea thought up by philosophers, and tentatively translated into reality by politicians who cram living social organisms into abstract models. Market behavior is natural for people and societies of the industrial era. Terror, expropriation, and universal total control are needed in order to neutralize that behavior, ineffectively at that. A moment of inattention by the authorities, or even a temporary liberalization, will suffice for the appearance of a fragmented market—legal or not—in vegetables, automobiles, hard currencies. All that is necessary is not to obstruct a market economy. And as for the cost of discarding these obstacles and allowing elementary common sense to be the guide to economic activity, it seems to be imaginary and there is no reason why it should exist. As for the complex skills of economic management, marketing, finance, etc., they are a question of time and their shortage in the initial period of a certainty would not be more costly than the continuation of a fundamentally irrational and increasingly inefficient mode of management.

Also senseless is frightening the public with the Japanese or similar model of exertions and sacrifices, as Lieutenant Colonel Wieslaw Gornicki did recently [in KONFRONTACJE, May 1988]. First, we are already denying ourselves a growing number of things and exerting ourselves very hard but senselessly to a tremendous extent. It is a fact that the work week in Japan is longer and the standards of living are lower than in the United States; however, in both these countries people are not "exerting themselves" but working and not "making sacrifices" but being paid regularly for their labor, more or less in accord with the value of that labor and the accepted standards of living in those conditions. The pre-harvest model taken from a backward peasant economy does not fit the market economy but has become a canon in this country: One should exert himself and make sacrifices in order to "later," after the harvest, live a life of plenty. Except that that "later" does not follow. It is worth noting that that "later" was to be the completion of the 6-Year Plan in 1955!

Lastly, it is being pointed out, that a market economy, or capitalism, cannot be introduced in the absence of capital. That is a misunderstanding. Capital may be represented by any amount of money, a car, or a useful space. For it is in the nature of capital that it multiplies through its turnover and can also be small at the outset. All this does not mean that a radical change of the system, which apparently is the point of the present reform, is bound to lead to an Eldorado overnight, but already overnight the economy would then operate more efficiently and each day would enhance, even if only little by little, what is now diminishing in value with each day.

Except that... are not we being threatened by...

### A Compromise Between the Posterior and the Whip?

The possibility of concluding an "anticrisis pact," like that of forming a "proreform coalition," appears to be small unless the authorities acknowledge the situation to be sufficiently dramatic to justify genuinely radical measures, including own far-reaching sacrifices on their own part, considering that: when speaking of systemic changes, they actually merely make minor corrections in the existing system and claim them to be systemic changes; at the same time they discourage the society from systemic reform by frightening it with bugbears in order to preserve their own status; and so long as they interpret the reform as a policy of raising prices and lowering living standards—that being the only tangible thing they actually are doing. Given such a different appraisal of reality and such a transposition of concepts, it is not only difficult to conclude a social agreement but also to engage in a clash of opinions. It is very good that by now both sides [the authorities and the opposition] can have their say, but terming two monologues a dialogue obscures the issue and does not accelerate its solution, although it may temporarily produce the impression of a solution. It is not unlikely that this precisely is the point.

Contrary to fairly widespread views, a systemic reform is not a matter that can be agreed upon through public discussion and consultation. For essentially the point here is not developing some optimal model of the economy. This is not a conceptual but a political question, and politics is the interplay of interests of the opposing sides. We have thus the resultant of forces represented by these sides.

The systemic change which awaits us is not the first of its kind in history, and we know that it rather is not based on the principle of "no victors and no vanquished," even if this is so formulated for elegance's sake. In August 1980 the government side had acknowledged the demands of the strikers not because it was convinced by their arguments but owing to the force they represented and the impossibility of defeating it at little cost. Changes of this kind may be either in the nature of violent revolutions with devastating wars or in the nature of a peaceful evolution, but they always are a result of political struggle. And for that struggle to exist the opposing sides do not have to be of the same strength but they have to have at least comparable possibilities for action. It is only then that the inevitable cost of transition, in the form of obstructions and destruction, which is as it were a side-effect of a reform or a revolution, has to be paid. For this reason, the kind of change, its nature, intensity, and duration are essential.

In the Polish case the rather naive assumption is adopted that change can occur in the absence of any struggle whatsoever inasmuch as the opposing sides can perceive their common overriding interests which are worth relinquishing some of their particular interests in the struggle against the common menace such as the disaster that

threatens us or is already occurring. This sometimes happens in face of an external danger, temporarily at that, but insofar as economic, social, and political issues are concerned, that disaster is not mutual. A change in the system—or its absence—is a disaster to one of the opposing sides. In the Polish case, as mentioned above, the market system is a disaster to those who govern the economy nowadays. Leaving things as they are, securely, will certainly affect painfully everybody, but not to the same degree. "The government will live on and nourish itself," whatever the inconveniences it is experiencing because of the crisis, but the real cost of the crisis and its duration is being paid by a majority of the society, although it is being persuaded that this is the cost of surmounting the crisis and implementing the reform.

This deliberately created confusion cannot be explained in the course of discussion if the side creating it is interested in continuing it. And since this is not explained, it will be difficult to achieve a compromise, because there is no common topic to be debated and no domain to be eventually divided. The sides may heatedly dispute, e.g., money or territory, but then they dispute the same thing, something that is indivisible. In the Polish case it is fairly readily foreseen that the two sides may talk to each other at cross-purposes. The authorities will be expected, in view of the gravity of the peril, to relinquish part of their powers and surrender particular positions, whereas their thinking runs along a completely different track: any threat requires that they act energetically, exercise suitable competencies, emergency powers, etc. Further, the authorities feel that the gravity of the threat requires of their counterparts that they be moderate in making economic demands which might peril the economy and political demands which might mean destabilization at a difficult time.

One would have to be objective in order to realize that continued economic sacrifices and political stabilization mean preservation of the existing situation, that is, continuation of the decline. But even a substantial segment of the opposition does not seem to realize this. Many agree that there has to be a cost to the reform, that the society must bear these continued sacrifices; except that, justifiably, it will not do so for the government's sake, and only [after] suitably legalized opposition—pluralism—endows that program with credibility.

This tendency on the part of some oppositionists may reflect a desire to settle the problem of their status. It is all the more surprising because sometimes trade-union [Solidarity] circles display it. Emulating the Western manner of thinking, they do not realize that it is not rampant consumerism that is the cause of the poor state of the economy, that poverty is not only a consequence but also and to a greater degree a cause of the crisis. Thus, concluding a pact or a coalition on this basis would be ineffective from the standpoint of systemic changes. There is no authority, either, that will any longer succeed in prompting the society to make further voluntary sacrifices—fortunately. That would only mean loss of authority.

So far as political changes are concerned, even the government side claims that they are indispensable to the reform, but in practice while it does at least make minimal concessions in the economy, in politics it maintains a complete blockade. The government appears to disbelieve that the opposition in its legalized forms, if they become legalized, will support it in what is called the cause of the reform. The establishment of the Estates General in 1789 taught caution to all the subsequent regimes. And justly, because there is precisely nothing to support. It also is highly likely that, once it gains some form of support, the apparat will feel relieved of the obligation of effectuating genuine changes, which it will effectuate only under external duress. And this is a rule rather than an exception in history: few succeed in reforming themselves on their own even when their ears are pulled gently. As for constructive criticism based on systemic principles, that already exists in the camp of the authorities themselves and produces evident effects. All kinds of authentic pluralism are needed in order to wrestle with the authorities for systemic changes instead of supporting them in their essentially conservative policies. The opposition may find its legalization useful in this struggle, but a force which can be only the support of the society is indispensable. And the opposition shall not win over that force by supporting nowadays what is being termed the reform policy. Only with the backing of that force can effective pacts or coalitions be concluded; otherwise, failure is in the offing. These conditions—if the opposition is such a force then the reform program can be credible and a national accord, though difficult, is likely—had existed between August [1980, rise of Solidarity] and December [1981, martial law imposed], but they were wasted [censored material:] (Decree of 31 July 1981, On the Control of Publications and Entertainment, Article 2, Point 6, DZIENNIK USTAW, Item 99, No 20, 1981; revised in DZIENNIK USTAW, Item 204, No 44, 1983). The operation was successful and the patient's condition is known.

1386

## YUGOSLAVIA

**Jansa Case Prosecutor Discusses Threats, Letters**  
*28000009 Zagreb VJESNIK in Serbo-Croatian*  
20 Sep 88 p 11

[Unattributed article reprinted from Novi Sad IMENIK:  
"The Slovenes Are Not Jansas"]

[Text] On the desk of the military prosecutor, Col Mazic, there are a large number—over 100—of threatening letters, telegrams, and messages that have arrived from Ljubljana, Zagreb, Petrinja, West Germany, Kosovo, and even Canada.

These threatening letters, according to Mazic, "condemn" him, his wife, and his two sons to... emigration or death!

"In the last few months," Zivko Mazic pointed out, "my family and I have been experiencing the most difficult days of our lives. On one hand," he added, "I have been surrounded by a crowd of people who did not understand me, since because of the nature of the criminal case—the disclosure of a military secret—I was not able to explain anything, and on the other hand, by friends who would certainly have aided me on the front, but were not able to do so here in Ljubljana. It was a difficult feeling of helplessness, since even a military prosecutor is a man of flesh and blood. Threats are threats, and I," he pointed out, "am a parent."

Since the very beginning of the Jansa case, the telephone in the apartment of Col Mazic's family rang constantly. Jansa's sympathizers were not satisfied with ordinary harassment, but even threatened murder.

Zivko Mazic stated that his family changed the telephone number three times, but in vain. They always had it. "The only solution," he said, "was for us to unplug the telephone. For three months we virtually lived under house arrest. They did not even leave in peace my mother-in-law, an elderly woman who lives in a town 170 km from Ljubljana. They let me know that I should drop the prosecution while I had time, or that we should move out of Slovenia.

"Under these circumstances," military prosecutor Zivko Mazic described his living and working conditions, "I had to go to work at dawn, around 4:00, and return home only when the crowd of protesters left. Every day, new threatening letters from Jansa's supporters awaited me. That is unbearable pressure. One of the letters contained the threat: 'State Inquisitors, Serbian Military Court, Ljubljana, Greater Serbia-Yugoslavia,' and similar messages were sent to the members of the Military Court.

"A rather long letter," Mazic added, "which was full of threats, also stressed that 'for every imprisoned Jansa 10 communists would be killed,' and then said, 'Long live the republic of Kosovo, long live MLADINA, death to the oppressors and bullies.'"

"The Military Prosecutor's Office also received a letter with caricatures and new contents concerning Jansa's ideology. It seriously insulted the military judicial authorities, and also the members of other nationalities."

Prosecutor Mazic said that he, as a man, a lawyer, and a soldier, was particularly convinced by the letters from abroad that the goals of Jansa and his supporters were more serious and dangerous than reflected by their jail terms. "Jansa," Mazic pointed out, "was supported by the most extremist emigres. Among the first to support him was the well-known Italian party 'League of Trieste'. It was followed by letters from irredentists," Mazic continued, "and from Ustasa emigres throughout the entire world. Isn't this," the military prosecutor asked, "enough of an indication by itself? Those in Yugoslavia who supported Jansa likewise do not differ from the extremist emigres in their threats and methods. They have everything in common. The authors of most of the letters sent to the Military Court and the Prosecutor's Office are people who are ideologically complete dupes.

"When someone identifies individual renegades and groups with Slovenia and the Slovene people, that is a serious insult to me. It is an insult to my family and it is an insult to every decent Slovene and Yugoslav, because the Slovenes are not Jansas. Some people want that, however, primarily Jansa and his sympathizers, who want to portray themselves as suffering for their advocacy of the Slovene people, who have allegedly been deprived of their rights, and of greater democracy. The only truth is that the people did not identify themselves with Jansa and several hundred of his supporters," stated military prosecutor Zivko Mazic.

9909

## CZECHOSLOVAKIA

### New Indexes of Retail Prices, Cost of Living Published

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[Article by Eng Vladimir Chudlarsky and Eng Jirina Weissova, Federal Statistical Office: "New Indexes for Retail Prices and Living Costs"]

[Text]

#### I. Introduction

New and revised index schematics for monitoring price developments in all price groups have been worked out for the period of the 8th Five-Year Plan. The revisions also include a comprehensive adjustment of the retail trade price index (consumer baskets) and the cost-of-living index.

The goal of the comprehensive revision of price indexes was to adapt the content of the indexes to current economic conditions. In the case of the retail price index and the cost-of-living index, this involved the capturing of changes since the last comprehensive revision which was carried out in 1977.

A no less serious reason for revising the contents of the indexes was the necessity to replace some representative products with other products which are fully responsive to contemporary production and consumption conditions.

In view of these facts, it is necessary to undertake a comprehensive revision of indexes after a certain time. In statistical practices which exist in other countries as well, the contents of indexes are revised at intervals of 5-10 years as a rule.

During the interim period between two revisions, the problem is solved by undertaking an annual partial updating of representative products during which obsolete products are replaced by new ones, but their weight which is used to determine the importance of the product to the development of the price level remains unchanged.

In designing the revised index contents, pricing statistics took the requirements of managing and planning the national economy into account and provided price indexes not only in the form of cumulative aggregations to facilitate the implementation of recalculations of macroeconomic aggregates, but also in the form of suitable representative and expedient groupings to facilitate the recalculation of fractional value indicators.

As of 1987, indexes of retail prices for goods and services and cost-of-living indexes have been computed in terms of their constant and current weightings in accordance with the revised index contents.

The cost-of-living index is broken down according to social groups and, in the computations according to constant weight, also according to income levels and the number of indigent children.

#### II. Intent of the Comprehensive Revision of the Retail Price Index and the Cost-of-Living Index

During the comprehensive revision, the following were revised:

- the selection of representative prices;
- the system of weighting;
- the program for automated processing.

At the same time, the reporting network was also judged.

##### A. Selection of Representative Goods and Services

The development of prices cannot be monitored with respect to all types of goods and services which are on the market and which are purchased by the populace. One of the principal reasons is that the existing assortment of products is quite broad and extremely variable.

Statistical theory and practice have proven that in order to obtain reliable information regarding some socioeconomic phenomena, it is sufficient to monitor a certain selection, that is to say, to undertake selected investigations (exhaustive examinations are generally undertaken when the basic set of data is relatively small).

Price statistics not only in Czechoslovakia, but in the other socialist countries and in capitalist nations are based on the selective principle.

Thus, the revised indexes of retail prices for goods and services and indexes of the cost of living for households continue to be selective indexes based on a set of selected products and services.

Long years of experience have verified the fact that the prices of products of a certain homogeneous group, which are produced from the same raw materials, by the same technology, which satisfy a certain need through roughly the same method, tend to develop roughly alike in a high degree of mutual correlation. That is why it is sufficient to select a few suitably chosen types of goods or services from each group, the so-called price representers, and to use them to monitor price developments which then characterize development in that entire grouping.

The selection of representers for the revised price indexes was accomplished, in turn, by the method of deliberate selection.

The considerable number of manufactured and sold products and their rapid modification makes it impossible to create a basic set (listing) of products suitable for random selection which, in this case, does not assure the

possibility of undertaking selection from various viewpoints (salability, representative nature of a certain price level). Consequently, price statistics in Czechoslovakia as well as in other countries makes use of the method of deliberate selection.

# **Methodological Principles for the Selection of Product (Services)—of Price Representatives**

The selected set of products—price representatives—included such products whose price developments could be expected to reflect changes in prices for all products (the total set of products and services) in the appropriate group and sector from which they were selected with sufficient accuracy and reliability.

Selection of products (services) to be price representatives encompassed:

—those which are currently purchased by consumers and are important to the populace from the standpoint of consumer spending;

—those which have a long-range character, that is to say, they will be produced and sold over a long period of time (not products about which it is known that they will cease being manufactured in the foreseeable future).

In selecting price representatives, procedures were such that:

—every consumer class and group involved in retail trade turnover was represented by selected carrier products; within that group, selection was then based on each current sales field and, within that field, systematically, selection was focused on all significant four-digit groups contained in the JKPOV. Only in cases involving areas or four-digit groups having insignificant volumes of sales and consumption were they omitted from the selection. By making the selection according to JKPOV groups and according to the sequential designations used in retail trade turnover was it possible to assure the comprehensive representation of all significant groupings of products and to accomplish the purposeful classification of price representatives and groupings within the indexes:

—the basic criterion for the selection of representatives was their share (weight) in the total value of a four-digit group within a sector. Products which were sold in very significant quantities were selected as being representative;

—in product groups having a changeable product mix, selection included a larger number of representative products with the objective of representing various quality classes and various price levels (lower and higher);

—the selection included products of standard execution and mass consumption. Technically progressive products, fashion novelties, and products categorized as being of first quality or designated as Q products with the right to use the state quality symbol were permitted to be selected as representatives provided their share in overall sales in the appropriate product group was significant. Luxury goods and goods of extraordinary quality, destined for sale in the select network of ESO, Luxus, Bohemia, and Safir outlets, were essentially not selected to be price representatives.

**Table 1. Overview of the Number of Price Representatives in the Retail Price Index**

Item	Number of Price Representatives in	
	Revised Index	Old Index
Total	1,849	1,649
Food products	413	350
Meat and meat products	91	70
Milk and dairy products	29	25
Eggs and egg products	4	3
Fats	12	13
Milling products, bakery and pasta products	44	46
Sugar, candy, and confectionary products	46	44
Potatoes and potato products	3	2
Vegetables, fruit, canned products	55	54
Beverages		
Nonalcoholic	29	17
Alcoholic	47	38
Other foodstuffs	53	38
Industrial goods	860	767
Textile goods	239	236
Footwear and fancy leather goods	96	79
Household equipment	67	59
Household appliances	104	94
Cultural equipment	31	37
Cultural appliances	82	76
Hygienic and health care products	89	68
Tobacco products and smokers' requisites	16	13
Items involved in transportation and sports	74	48
Construction materials	47	40
Fuels	15	17
Public catering	156	123
Restaurant catering	143	107
Industrial catering	13	16
Services	420	409
Rent	23	21
Electricity and gas	13	13
Transportation	66	59
Communications	28	31
Personal services	189	188
Education, culture, entertainment, sports	41	39
Recreation, health care, social facilities, etc.	38	36
Fees (administrative, notary, court, attorney, and local), insurance	22	22

The number of representers in the new revised retail price index exceeded the existing number by 200 products. In all, 1,849 representers were selected, that is to say, 12.1 percent more than were contained in the old index.

The selection of representers in the retail price index and in the cost-of-living indexes is the same; only in households of annuitants are some products and services not represented, for example, two-wheel motor vehicles, school meals, baby carriages and other types of baby products, if the annuitant's household does not specifically list these products in its return. Some services, such as fees for various courses like driver training courses, fees for gymnastics activities, etc., are not monitored in annuitant households.

Specific changes in the structure of products are brought about primarily by an expanded assortment both of food products as well as industrial products and services.

The revised retail price index contains such newly included food industry products in its list of representers as prepackaged types of meat, portion-packaged poultry, some new types of nonalcoholic beverages, durable baked goods, finished frozen meals, cigarettes, and other products where the assortment had been modified. Some products, which had ceased to be produced or which are produced in smaller quantities than was the case heretofore, were omitted from the selection of representers.

With respect to industrial goods, the largest expansion was experienced by transportation and sports products and by hygienic and health care products. With respect to textile goods, some obsolete and unfashionable products, such as polyester dress fabric, 100-percent polyester men's suits, 100-percent wool children's garments for preschoolers, were omitted from the selection and were replaced by fashionable cotton and flannel materials. Industrial goods representers were augmented by the addition of new types of electronics products. The set of representers also includes spare parts for industrial goods and for transportation equipment.

With respect to services paid for by the populace, the selection of representers was expanded by the addition of some service groups, for example, home heating repair services, carpentry services, or concrete-finishing services, as well as by the addition of stone mason services, funeral services, etc.

Following agreement with the State Planning Commission, the retail price index and the cost-of-living indexes no longer list some groups of services dealing with monetary incomes and expenditures by the populace. These are primarily less important groupings of services, such as, for example, dance entertainment events, plant clubs of the Revolutionary Trade Union Movement, payments for services made to the Czechoslovak State Bank involving trips abroad, payments to unified agricultural cooperatives and state tractor stations for work

and services performed for the populace, etc.—cases in which the initiation of investigations would not be efficient.

A selection of products and services is demanding work in terms of familiarity with the production program and the assortment of goods for sale in the commercial network. Because statistical organs lack the necessary data, the selection of representers was also delegated to economic production units and commercial economic units. Furthermore, several unique investigations were also carried out.

The selection of representers of food products and industrial products was carried out in conjunction with the selection of representers for the wholesale price index, which was worked out by economic production units and by production enterprises. This resulted in a certain interconnection between the retail price and the wholesale price index for products destined for delivery to consumer goods inventories.

The individual general trade directorates which were involved in working out the proposal for representers of foodstuffs and industrial goods for the retail price index made use of data provided by the economic production units, added their own data, and based their work on existing sets of products monitored in the existing retail price index.

Such a source of information was not available for other components of the retail price index, that is to say, for restaurant catering and related services on a central level, and that is why it was necessary to undertake one-time investigations which were handled by employees of regional statistical organizations.

With respect to restaurant catering, these investigations found those types of meals and beverages which were most frequently sold and also determined the mutual relationship between the sales of individual types of meals, beverages, cigarettes, and other goods, both among enterprises operating in various price groupings and within the framework of the monitored price group.

The investigations were conducted by employees of the regional statistical organizations in selected establishments operating under price groups IV, III, and II of the Raj, Cedok, and LSD Jednota Enterprises during various months of the year with the goal of obtaining data even on seasonal types of meals.

Price group I, whose sales represent only a few percentage points of the total sales recorded by the restaurant industry, is not included in the retail price index.

Similarly, it was necessary to gather more detailed data through one-time investigations of selected enterprises involving a number of services paid for by the populace, such as, for example, barber services and beauty shop services, chemical cleaning of garments and laundry services, custom tailoring of garments, shoe repair services, construction services, and the most varied repair services. With respect to some price groups, such as

payments for using an apartment, payments for electricity and gas, railroad transportation, highway transportation, air transportation, municipal transportation, communications, cultural services (cinema and theater), school catering, fees, and insurance, it was possible to make the selection of representers and to determine their weight on the basis of central data.

In the system of price indexes, the retail price index and the cost-of-living indexes occupy an important position and, therefore, their revision also commanded the attention of those organs who are users of these indexes. The proposed list of representers was submitted for comment to the State Planning Commission, the Federal Pricing Office, the Czech Pricing Office, the Slovak Pricing Office, the Czechoslovak Ministry of Commerce, the Ministry of Commerce of the Slovak Socialist Republic, the Ministry of the Interior for Czechoslovakia, the Ministry of the Interior for the Slovak Socialist Republic, the Central Trade Union Council, and other organizations. The resulting comments were fully respected and are reflected in the contents of the indexes.

To assure the monitoring of developments of prices pertaining to qualitatively comparable products under conditions of continuing assortment changes, detailed descriptions which characterize their utility characteristics are worked out with respect to selected representer categories. In addition to an exhaustive verbal description, the precise characteristics of the product are also facilitated by the use of the codes of uniform classification pertaining to industrial products and outputs which are deliberately designed in such a manner as to provide a unique determination of the material composition, the technological procedure involved in the production, and other data pertaining to the technical level and quality of a particular product.

Detailed descriptions of individual representers were worked out by specialized workers employed by the appropriate general directorates of trade (in the case of services, by the Ministry of the Interior).

## B. The Price Index Weighting System

Price changes, up or down, of individual types of goods and services do not exert the same influence upon the cumulative retail price index. It depends on what kind of impact the change in the price of a certain type of merchandise has upon the monetary outlay of the household, which is based on the degree of importance ascribed to the particular product or service. This importance is expressed in working out the retail price index by the share (weight) of a particular product or service in total retail trade turnover and in the monetary outlays for services and is reflected in the cost-of-living indexes in the share of the particular product or service accounted for in the overall monetary expenditures of households.

### 1) Weighting of the Retail Price Index

The weights in the retail price index were designed on the basis of 1984 retail trade turnover data and are fully

tied in with the product assortment structure for that year. As far as services are concerned, the weights are directly tied to the balance of monetary incomes and outlays of the populace.

One-time investigations were conducted to determine the weights of individual representers.

With respect to such seasonal goods as fruit and vegetables, which are not on the market throughout the entire year, since various types are sold at different times throughout the year, independent index schematics were drawn up for each month. The weights for individual types of fruit and vegetables were determined on the basis of the value of their deliveries in the month under study. Because the quantities sold are influenced, among other things, also by the size of the harvest which is affected by weather conditions, the weights of individual representers of fruit and vegetable varieties were established on the basis of the quantities sold in a given month on the average for the years 1981-1985. This tended to eliminate the deviations in the harvests of the individual years to the maximum extent.

The weights in the retail price index were established on the basis of data expressed in absolute figures (in thousands of korunas) and were transposed to relative figures.

### 2) Weighting of the Cost-of-Living Indexes

The weights in the indexes of cost-of-living expenditures reflect the average outlays made by the appropriate population groups which were determined through a special selective investigation. This investigation made use of data on household outlays for individual groups of products and services listed by the households in the "Diaries of Reporting Households" for the year 1984.

#### Overview of the Number of Households in Which Expenditures Were Monitored in 1984

Type of Household	Number
Blue-collar worker	2,307
White-collar worker	1,898
Cooperative farmer	1,109
Pensioner	746
Total	6,060

Apart from data monitored with the aid of current statistics dealing with family accounts and consumption on the part of the populace, a one-time investigation and processing of data into expenditure groups was found to be useful for purposes of the comprehensive revision of the contents of indexes (consumer baskets) to determine the more detailed differentiation in the expenditures of individual social groups.

More detailed data were obtained using a representative sample of households, including 1,199 blue-collar households, 977 white-collar households, 1,071 cooperative farm households, and 742 annuitant households.

Table 2. Weighting System in the Revised and Old Retail Price Index Covering Broader Groups of Goods and Services

Item	Revised Index, Weights From 1984 (in %)	Old Index, Weights From 1977 (in %)
Total	1,000.00	1,000.00
Retail turnover	848.37	875.00
Commercial network	745.79	767.00
Foodstuffs	313.12	325.00
Meat and meat products	85.42	87.02
Milk and dairy products	27.52	28.17
Eggs and egg products	5.79	5.27
Fats	20.23	23.69
Milling products, bakery and pasta products	32.36	35.99
Sugar, candy, and confectionary products	26.31	27.50
Potatoes and potato products	3.92	4.93
Vegetables, fruit, canned products	24.96	29.60
Beverages		
Nonalcoholic	7.58	7.37
Alcoholic	48.66	45.91
Other foodstuffs	30.37	29.55
Industrial goods	432.67	442.00
Textile goods	103.88	118.26
Footwear and fancy leather goods	27.17	27.01
Household equipment	46.21	50.95
Household appliances	39.38	33.96
Cultural equipment	18.12	15.06
Cultural appliances	40.02	44.09
Hygienic and health care products	30.47	30.26
Tobacco products and smokers' requisites	21.59	20.86
Items involved in transportation and sports	72.52	65.22
Construction materials	18.78	23.10
Fuels	14.53	13.23
Public catering	102.58	108.00
Restaurant catering	84.49	91.00
Industrial catering	18.09	17.00
Services	151.63	125.00
Rent	31.78	21.66
Electricity and gas	22.45	15.12
Transportation	16.28	19.63
Communications	11.69	10.00
Personal services	31.03	27.71
Education, culture, entertainment, sports	4.29	4.75
Recreation, health care, social facilities, etc.	19.97	13.50
Fees (administrative, notary, court, attorney, and local), insurance	14.14	12.63

In view of the fact that the targeted households in the reporting system of family bills show, in some groups, for example, lower values for expenditures for alcohol than the national per capita average, which was determined by the balancing method, some data reported by the reporting households was modified for the first time in designing the revised indexes. In cooperation with the Department for Statistics of Family Bills and Popular Consumption, expenditures reported by the households for beer, spirits, tobacco products, etc., were compared with per capita retail turnover figures and with average annual consumption. It turned out that the expenditures reported by the households in the "Diaries of Reporting

Households" represent roughly only one-third of the national average (which encompasses purchases by the public sector) of the expenditures by the populace for beer, roughly one-half of the expenditures for spirits, and around 60 percent of the expenditures for wine. In view of these experiences, the outlays for alcoholic beverages in the new revised cost-of-living index were raised. Partial corrections of lesser significance were made involving some other expenditure groups in view of their content (construction and housing maintenance, construction materials, recreation, insurance, etc.).

The structural changes in consumption by the populace, which have occurred since 1977, were reflected in the

revised contents both of the cost-of-living indexes and also the retail price index by lowering the share of expenditures for foodstuffs and indicate a strengthening of the importance of services in family budgets. In addition to rent, the higher share of which is based on the construction of new first-category dwelling units and the higher level of dwelling, expenditures for electricity and gas also rose in conjunction with the better equipment of households with electrical appliances. Also, the share of services performed by local economy enterprises and cooperatives (personal services, repairs, and custom work) has gained in significance. As a result of the corrections made in the outlays of households for alcoholic beverages, the share of these expenditures in the revised cost-of-living index rose more significantly in comparison with the old index.

The breakdown in the cost-of-living index is tied in with the breakdown of household expenditures.

Differences in the relative weights between individual social groups of households are based on differing economic and living conditions. For example, cooperative farmers are spending relatively less on foodstuffs because they cover part of their requirements through self-supply and as a result of payments in kind. Also, they spend a smaller percentage on services than do other households because a number of families live in their own houses and do not pay rent. In conjunction with these facts, expenditures for industrial goods in cooperative farm households are relatively higher. On the other hand, expenditures for foodstuffs and services (rent, electricity, gas, etc.) predominate in the expenditures made by pensioners.

Table 3. Group Weights of Individual Social Groupings of Households in the Revised and Old Cost-of-Living Index

	Revised Index		
	Blue- and White-Collar Workers	Cooperative Farmers	Annuityants
	Weights in Percent for 1984		
Total	1,000.00	1,000.00	1,000.00
Foodstuffs	320.13	273.27	446.70
Meat and meat products	91.93	65.39	141.61
Fish and fish products	5.29	4.80	7.92
Fats	24.40	21.80	42.53
Eggs	9.00	3.27	16.19
Milk and dairy products	28.79	29.66	45.92
Flour mill and bakery products	27.85	32.51	49.57
Potatoes	2.67	1.32	6.70
Vegetables and vegetable products	10.16	6.23	15.37
Fruit and fruit products	18.17	13.61	26.48
Sugar and products made of sugar	21.46	23.38	31.63
Other foodstuffs	28.32	25.07	41.51
Meals eaten out	52.09	46.23	21.27
Beverages	82.50	86.24	71.52
Nonalcoholic	6.44	6.76	9.01
Beer	31.93	34.73	26.01
Wine	14.60	12.24	11.78
Distilled spirits and others	29.53	32.51	24.72
Industrial goods	410.43	481.63	243.46
Textile goods, footwear, and fancy leather goods	127.37	132.68	90.88
Drugstore items and health care items	28.53	26.91	31.01
Goods for household	62.66	88.45	24.11
Personal transportation needs	80.41	94.05	11.31
Cultural facilities, cultural and sports needs	55.34	51.14	36.98
Tobacco products	30.89	28.87	21.47
Other industrial goods and household needs	25.23	59.53	27.70
Services	186.94	158.86	238.32
Rent, including central heating	43.61	18.42	67.72
Electricity and gas	29.73	32.66	57.23
Transportation and communications	32.35	21.85	44.90
Repairs and custom work	18.22	24.70	22.42
Personal services	17.90	14.41	26.07
Education and cultural services	8.38	6.76	2.57
Recreation, therapeutic care, child care facilities, etc.	18.27	13.41	9.28
Other services	2.15	2.53	1.15
Fees and insurance costs	16.33	24.12	6.98

Item	Old Index		
	Blue- and White-Collar Workers	Cooperative Farmers	Annuitants
	Weights in Percent for 1977		
Total	1,000.00	1,000.00	1,000.00
Foodstuffs	346.80	307.50	515.60
Meat and meat products	92.60	76.70	146.60
Fish and fish products	5.60	5.40	10.10
Fats	30.40	27.50	57.00
Eggs	10.90	4.10	21.40
Milk and dairy products	32.40	32.60	55.00
Flour mill and bakery products	33.90	40.70	67.40
Potatoes	4.10	2.70	11.00
Vegetables and vegetable products	12.20	8.70	20.20
Fruit and fruit products	23.00	18.70	35.90
Sugar and products made of sugar	22.10	25.90	33.60
Other foodstuffs	25.60	23.30	39.80
Meals eaten out	54.00	41.20	17.60
Beverages	52.60	58.20	57.90
Nonalcoholic	10.60	10.00	12.20
Beer	13.30	16.30	16.40
Wine	11.20	9.20	10.90
Distilled spirits and others	17.50	22.70	18.40
Industrial goods	416.00	478.60	240.70
Textile goods, footwear, and fancy leather goods	143.50	148.70	107.50
Drugstore items and health care items	27.90	26.90	36.00
Goods for household	67.60	83.20	20.20
Personal transportation needs	81.70	86.80	3.60
Cultural facilities, cultural and sports needs	45.20	41.60	24.10
Tobacco products	20.10	18.40	14.10
Other industrial goods and household needs	30.00	73.00	35.20
Services	184.60	155.70	185.80
Rent, including central heating	35.50	14.30	48.80
Electricity and gas	20.50	22.40	38.70
Transportation and communications	31.20	21.40	39.10
Repairs and custom work	18.50	22.30	12.60
Personal services	16.80	12.40	20.40
Educational and cultural services	7.80	4.90	2.50
Recreation, therapeutic care, child care facilities, etc.	21.70	16.00	5.20
Other services	7.40	4.60	7.40
Fees and insurance costs	25.20	37.40	11.10

### C. Computation Formulas

The revised indexes of retail prices and the cost of living will continue to be computed in accordance with the Laspeyresov formula.

For purposes of recomputing interyear value indicators from current to comparable or constant prices, computation of the index of retail prices will continue to make use of the so-called "deflator" which serves to deflate economic indicators. It will be computed on the basis of weights gathered during the current reporting period according to the Paasch formula. Computation of the cost-of-living index according to the same formula is being newly introduced.

In the revised indexes, the time basis of 1984 = 100 was selected and was determined uniformly for the price indexes and was based on the requirement levied by the

State Planning Commission to ensure a tie-in with the initial structure of the 8th Five-Year Plan.

The firm base for the index time frame will also systematically include the indexes for the same period of the previous year and, as needed, will be added to other time bases.

### III. Determination of Retail Prices for Goods and Services

The method of determining retail prices for the revised indexes is based on the current centralized formation of prices and uniform prices valid throughout the territory of Czechoslovakia. Only the prices of fruits and vegetables, which are set by the unified "Vegetables" enterprises during their principal seasons, are an exception. Furthermore, with respect to some services paid for by

the populace, the responsible national committees can determine price reductions pertaining to the highest permissible price list prices according to local conditions.

The statistical investigations involving retail prices are modified to conform with these facts. The method of determining prices used thus far was fully commensurate and was taken over even for purposes of the revised indexes.

With respect to the majority of the goods sold in the commercial network, the responsible general trade directorates or the trade enterprises of the sector continue to report prices.

With respect to products whose assortment is frequently adjusted, such as textiles, footwear, and fancy leather goods, price changes sometimes occur also through the influence of these changes and through the introduction of new products. Consequently, the prices of textile goods have been determined since 1967 directly in selected sales outlets. Long years of experience have demonstrated that this method of determining prices makes it possible to ascertain prices which the populace actually pays.

Similarly, the prices for services are determined at selected operating facilities, enterprises, or possibly kraj national committees.

Employees of the regional statistical organizations determine the prices of both textile merchandise and also services.

In conducting statistical investigations of prices, the principle applies that price development is monitored using relatively stable and qualitatively equal products. In the event a certain type of product (service) which is characterized by a detailed verbal description and by the JKPOV code is no longer found on the market (not even in the form of a changed qualitatively equal variation) it must be replaced with a comparable product.

#### **IV. Monitoring the Development of Retail Prices When Assortments Change, and Guaranteeing the Comparability of Products**

One of the questions which we are solving in price statistics is the monitoring of price developments under conditions of accelerated scientific-technical development which brings with it the production of new technological processes, new materials and products having higher technical parameters and utility characteristics. In Czechoslovakia, the monitoring of real price developments is approached by having specialized employees of commercial organizations, under the methodological leadership of employees following the statistics of prices and the cost of living at the Federal Statistical Office, the Czech Statistical Office, and the Slovak Statistical Office evaluate the technical parameters of the originally monitored products, as well as the new products. On the basis

of this specialized comparison, indexes of utility characteristics are computed which express the magnitude of the increase in the utility value of a new product over the product which was originally monitored.

Only after utilizing the index of utility characteristics is the index of real price movement computed for individual product representers.

By directly moving from the price of the originally monitored product to the price of the replacement product, the difference in their quality would not be respected and the price indexes would reflect a more rapid movement of prices. In utilizing the next methodological procedure, which would be based on the supposition that the higher price of the new product would fully reflect higher utility characteristics, the index for this product would remain equal to 100. This would fail to capture the development of prices under conditions of assortment changes and the ability of the retail index and the cost-of-living indexes to provide the correct message would not be assured.

The above-listed method of comparing the utility characteristics and prices of changed products which act as representers in Czechoslovakia safeguards the monitoring of real price developments when assortments are modified.

#### **V. Conclusion**

The comprehensive revision of the index contents for computing the retail price index and the indexes of the cost of living for individual social groupings of households safeguarded the monitoring of price developments during the 8th Five-Year Plan on the basis of the present structure of consumption and deepened the prerequisites for the application of price indexes in additional areas.

In cooperation with the statistical organs of the republic, the Federal Statistical Office will continue to develop price statistics, both by way of perfecting the methodology of computing indexes and also by designing additional variants of retail price and cost-of-living indexes.

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### **HUNGARY**

#### **Private Economic Researcher Discusses Officially Proposed Debt Equity Plan**

25000238 Budapest *MAGYAR NEMZET* in Hungarian  
21 Jul 88 p 5

[Interview with Gyorgy Matolcsy, researcher at Financial Research, Inc.: "Debts for Sale: Who Will Buy the Hungarian Economy?" by Ervin Zsubori; date and place of interview unknown]

[Text] The Hungarian economy's foreign debts seem to represent an unprecedented burden for the country. According to a report prepared by the [private firm]

Financial Research, Inc., our gross indebtedness last year was equal to 90 percent of our gross domestic product, and interest payments to service this debt used up four-fifths of the profits we earned from dollar exports.

How would it be possible to reduce this nearly unbearable burden? During the past weeks and months a seemingly audacious idea has circulated among Hungary's economic thinkers: Let us try to sell our debts! To put it more precisely, let us try to offer stocks in exchange for our outstanding debts. At first glance the idea appears to be an absurdity. As the man on the street might say: Where are you going to find a sane Western entrepreneur who would be willing to buy this mass of bankruptcy? However, the situation is not quite that simple. I discussed this with Gyorgy Matolcsy, research associate at the above-mentioned firm, who devoted a considerable amount of his energies to this issue.

[Question] Let us begin by clarifying: What do we mean by turning our foreign indebtedness into stocks?

[Answer] Hungary's present indebtedness is in the form of commercial credits. Turning this into stocks means that we transform the existing debts from a temporary source of loans into a permanent transfer of capital. In exchange we offer proprietary privileges, represented by stocks, which means that we give foreign stockholders a voice in managing the affairs of the given enterprise and thus the entire Hungarian economy.

#### It Worked Once Before

[Question] Are there any global examples for the successful application of this method?

[Answer] If you mean a time when it was implemented between national economies, or between foreign creditors and the enterprises of a national economy, the answer is: not yet. However, there are examples for the successful application of this method in economic history as well as within a national economy. The first type even has a domestic precedent. In 1931 we pulled down the shutters: the Hungarian National Bank ceased changing pengo [Hungarian pre-World War II monetary unit] into foreign currency and suspended servicing the debts. At the same time the Bank told foreign creditors that they could receive payment owed to them in pengo, provided they invested this money in Hungarian enterprises. In the end, about one-third of Hungary's debts were turned into investment in this manner.

[Question] Why did this issue become timely once again?

[Answer] As early as 1981, a small group at the Finance Ministry started working on this problem. We came up with a solution, but somehow it got lost in the governmental maze. After that, the situation continued to deteriorate; our debts grew, until it came to light that we could not even pay the interest out of the profits made from exports, because this would require a positive

annual trade balance of more than a billion dollars. In other words, debts grow like snowballs, and this means that our economic policymaking, even our entire economy and society, will be forced into certain compulsory situations that promise nothing but misery. To escape this vicious circle, we cannot use ordinary methods, such as loans or credit arrangements; we can only do so by establishing capital-based contacts. One technique we can use is to transform debts into stocks.

[Question] Is there no other way?

[Answer] Of course there is! For example, we could speculate on all our creditor banks and countries going bankrupt; or, another "solution" could be for us to declare bankruptcy, thus forcing creditors to write off our debts, because we simply could not pay. However, in addition to the fact that this would have a great many negative consequences, such a course of action would not solve but merely prolong the problem. It is possible that we could obtain a new type of "Marshall Aid," but in exchange for that we would probably have to make strategic and geopolitical concessions that Hungary could not accept.

[Question] What kind of basic variations and techniques can we imagine within a realistic solution?

[Answer] The first variation, of which we have already spoken, would feature a foreign bank (society, club or enterprise) purchasing an outstanding debt owed to a commercial bank and the Hungarian National Bank exchanging it for forints at a rate well above the prevailing one. The actual rate would be determined in negotiations. It would be worth it for us to go as high as the upper profitability limit of our foreign trade surplus, which at this time is 100 forints to one dollar, that is, about double the official exchange rate. This is what it takes to produce the additional goods we have to export in order to maintain our trade balance.

[Question] So the Hungarian National Bank turns the debts into forints, providing that these forints are invested in Hungarian firms. This condition can be met by purchasing primarily stocks, but it could also imply setting up new enterprises, even foreign-owned banks. What is the other alternative?

[Answer] The second method would call for turning some of Hungary's nationalized enterprises into corporations and offering a certain percentage of their stocks to foreign banks and investors. If the scheme works, the hard currency thus obtained could be used to repay our debts. A third variation would call for us not to obtain new loans from commercial banks but instead to have the firms intending to invest these loans obtain them for us, and thus come to Hungary as participants in a permanent capital transfer. These methods have many detailed varieties, all of them based on the principle that foreign investors would become part-owners of Hungarian corporations.

### The Danger of Printing Money

[Question] What would prompt foreign investors to participate in these deals?

[Answer] We have already mentioned one incentive: Due to the high rate of exchange, our method would be an inexpensive way for foreign firms to invest in Hungary's economy. Another advantage is that, because most Hungarian enterprises work at a low rate of efficiency, the value of most stocks would be significantly less than the capital assets indicated by the balance sheet. With the injection of additional capital into these enterprises, the modernization of production, and alteration of the firms' management and production profiles, they would greatly increase in value, which in fact may be the most important incentive for investors.

[Question] How would this benefit us?

[Answer] As far as the whole economy is concerned, we could break out of the course of action into which we were forced by the pressure of our debts. A real restructuring of our economy could start, since we would involve new proprietors in our economic activities, who would consider only hard economic facts in the decision-making process. Our enterprises would benefit because they would obtain additional resources with which they could improve their profitability and stabilize their positions.

[Question] What are the main disadvantages, dangers and risks involved?

[Answer] One of the greatest dangers is that foreign proprietors make decisive and quick changes, prompting a process of restructuring, a sharp temporary increase in unemployment and an erosion of collaboration among Hungarian firms. However, as an outside researcher remarked, this could be as much of an advantage as a drawback. The most imminent threat is that of inflation. This could be upon us if the Hungarian National Bank were to pass only new, freshly minted money to the investors, without cutting, for example, enterprise subsidies by the amount given to foreign owners. In such an event, the additional money pumped into the economy could exert inflationary pressure. This could be lessened if the extra investment resources truly benefited our restructuring efforts; in that event, supply would also increase and re-establish equilibrium. However, it would be more practical to rechannel already existing resources for this purpose.

[Question] Can we start seeking this kind of solution in international forums, without our creditors saying: "This country is getting ready to ask for a debt rescheduling"?

[Answer] I do not believe this is a real danger. We are talking about a business offer. The investors purchase the debts from commercial banks at a price above their

nominal value; thus, the commercial banks would not lose on the deal. In fact, I am convinced that such an undertaking would increase confidence in Hungary's economy. On the one hand, our debts would be cut, so our creditworthiness would increase; on the other hand, if people realized that there were investors who could see our economy's potentials, that would also improve our image abroad.

### Political Courage

[Question] What are the major preconditions for trying out this method?

[Answer] First of all, a political decision must be made to the effect that we are willing to enter the experiment. This requires nothing more than a certain amount of political courage, which is not hard to muster in a situation that is close to bankruptcy. The second precondition is developing a refined, professionally correct negotiating stance. After that, we have to locate the investors who may be considered as potential partners and, acting in unison with them, contact our creditors and put together packages, based on which we could initiate the experiment. We must establish a stock exchange in Budapest. We must provide additional visible advantages for communal enterprises. I believe that the government's liberalization campaign can be implemented only in this area, without the threat of loosening inflationary trends.

[Question] What kinds of guarantees would foreign investors require?

[Answer] First of all, we must give them guaranteed protection from nationalization, as well as guarantees for continuing reforms. This means that we must provide them with visible evidence that Hungary's economy is proceeding with market-based reforms. We must create conditions that are attractive for operating in Hungary, and we must assure investors that they would be free to take their profits out of the country, as well as reinvest them here.

[Question] The accusation will be made that this is another way in which the nation's wealth is being sold.

[Answer] I cannot accept that. Our national wealth is eroding; the operational effectiveness of nationalized wealth is constantly deteriorating. It is precisely the proprietary structure and method of utilization that sells the national wealth and which is presently contributing to this erosion. Any solution that stops and reverses this erosion process does not sell the national wealth but contributes to its growth.

[Question] Knowing the present situation, do you think there is a chance that a positive decision will be made on this issue, and if so, what can we expect?

[Answer] I believe that Hungary's present leadership is in a position in which they must try this solution. I cannot tell what their subjective position is, but I am afraid that from this point of view waiting would only weaken our negotiating stance. If the method suggested here is put into practice, the greatest interest would be shown in those firms that have either very good or very poor effectiveness, because, in the latter case, even relatively small investments could produce sizeable profits. As I see it, this method could be applied to about five percent of our annual debt, which amounts to about one billion dollars. I believe that within two or three years we could significantly improve the state of Hungary's economy.

13201

## POLAND

### Polish-Soviet Cooperative Enterprise on Personnel, Expansion Plans

26000025 Warsaw POLITYKA-EKSPORT-IMPORT  
in Polish No 16, 20 Aug 88 p 20

[Interview with Marian Slezak, president of the Supervisory Council of the Polish-Soviet Company Fimbex and director of the Mechanical Device Factory Ponar-Ostrzeszow, by Bernard Talbierz: "Zloty, Rubles, Dollars"; date and place of interview unknown]

[Text]

[Question] The last few days of June were hot for you, but not just because of the heat wave. On 30 June, your "child," the Polish-Soviet company Fimbex, was finally born.

[Answer] Yes, we signed the documents forming the company with our Soviet partners in Ostrzeszow. But it is not just my "child," and it would not have been born without the agreement between the PRL and the USSR nearly two years ago on joint economic ventures.

The finally days prior to the signing were genuinely hot, for we received our Soviet comrades before the end of June, as we had agreed, but official approval for the formation of the company came from the Ministry for Foreign Economic Cooperation only on 25 June.

[Question] To what degree is the company evidence of changes in Polish-Soviet economic relations?

[Answer] Previous cooperation between the industrial enterprises of both countries produced few examples of successful marriages. Declarations predominated; the effectiveness of the economic instruments was worse. This is largely due to the incongruence, at present, of the economic mechanisms of the two countries. But the parallel changes in Poland and in the Soviet Union, changes in these mechanisms, made it possible to undertake talks with our Soviet partner, the Scientific and

Production Institute Enims on forming a joint venture, beginning more than a year ago. Enims will become self-financing this year and will become an independent enterprise.

The joint venture Fimbex is beginning its operations literally from the foundations: from the building of a new factory, which is next to our Mechanical Devices Factory.

[Question] Exactly, for more than 20 years, the Factory has been a national potentate in the production of clutches for lathes, one of the few such producers in the CEMA. You have exported nearly 80 percent of your production to the USSR. Fimbex is also to produce clutches. What is the point of raising a competitor next door?

[Answer] We have taken care that there are no colliding interests. The Ponar-Ostrzeszow plants will continue to develop their specialization, and the joint venture will produce new types of clutches designed in the joint Factory-Enims Design Office. As a result the market assortment of the Factory will be enriched.

[Question] The Factory and Enims are not the only partners in the venture.

[Answer] On the Soviet side, the Stankoimport foreign trade central agency and, on the Polish side, Bipron, Metalexport, and Inwesteksport are also partners. The name Fimbex derives from the initial letters of the founding enterprises.

Each of these companies has contributed more than cash to the joint venture. Their services on behalf of Fimbex are charged for or are treated as a contribution to the venture. Thus Bipron from Zabrze and the Soviet Giprostanok office are designing the technical and technology parameters for the new factory; Metalexport is making its foreign trade network available and will take care of supplying the necessary machinery, chiefly modern lathes produced in the West. Inwesteksport will do market research and development analyses.

[Question] Gentlemen, reportedly, do not talk of money; they have it. How much money does the venture have, or more precisely, will it have? And what color will it be?

[Answer] We did not follow our sentiments in founding the venture. It was formed in a calculated manner; it will draw benefits from each of the partners. Its initial capital was set, when converted, at 60 million rubles. It includes more than \$3 million for the purchase of lathes; the colors then are varied. This much is to be spent for investment through 1993.

The Polish side is contributing 60 percent; the Soviet side, 40 percent. In the near future, initially, 200 million zloty are to be deposited into an account which we are opening in Ostrzeszow, but not without difficulties. We

make all conversions with the current exchange rate for the ruble, since we unfortunately do not know how much today's zloty will be worth tomorrow.

[Question] If you assume that the venture is going to export a portion of its products to the countries of the second payments area, how will settlement be made among the partners in those cases?

[Answer] We cannot solve this problem. Such a venture is also new for the Soviet side as the fact that discussions about it were held at the highest levels of state. Many issues remain to be settled. The problem of convertible-currency settlements is among the most important. The current economic practices are not healthy. The present exchange rates—440 zloty per \$1 and 200 zloty per ruble and 60 kopeyek for \$1 in the USSR—make it impossible to do the proper profit accounting.

But...the new factory will start production no earlier than three years from now. We think that by then the exchange rates will be set according to different principles that more realistically reflect the conditions of international trade.

[Question] On what legal principles is the charter for the venture based?

[Answer] Fimbes was formed on the basis on the current law on partnerships with foreign capital and on the provisions of the commercial code of 1934 which are still current. I would add that the official language of the venture is Polish, but at the request of the Soviet partner individual documents will also be drawn up in Russian.

[Question] You have formed a venture, you are waiting for a bank account, for the deposits of capital by the partners, on its registration by the court. What is happening within the venture now?

[Answer] At the first meeting of the partners (two representatives of each enterprise), we elected a Supervisory Council and a board for the venture. The general director is Eng Bohdan Ogródowski (currently economic director at the Mechanical Devices Factory) and his first deputy is Vladimir Grudyan (currently acting head of the office for economic affairs at Enims). They are now preparing a plan of operations for the current year, a charter, dividing jobs, and they must complete the venture's small, but efficient, personnel.

We also have found people to execute the plans for the factory and a builder, which will be the Agricultural Construction Enterprise from Kepno, a company known for its good work in our region.

[Question] Since you have mentioned personnel issues, how many employees will there be and where will you find them?

[Answer] There will be about 700 employees. There is no problem finding them on our labor market. If I announced that I was hiring at the Mechanical Devices Factory today, then I am sure that a line of 200 qualified workers would be standing in front of the gate, all from our region. Each year our plant school produces a group of graduates, whom we frequently cannot provide employment at the Factory. In spite of the fact that we are expanding a branch plant in Sycow nearby.

In conjunction with the formation of the venture, we intend to enlarge the school by two classes. In this way, we will provide ourselves with workers to fill all our positions in three or four years. We are also taking care to develop housing construction for our employees.

[Question] Will the Soviet side have a large representation in the Fimbes factory other than the current deputy director of the venture's board?

[Answer] At present, the most important issue is the rapid completion of the board with energetic, wise, experienced people. Besides building the plant, we must ensure that the technological preparation of production is done with an appropriate lead time. Obviously, we expect that the Soviet side will offer us ongoing cooperation by its people. We must remember, however, that the problem on their side is more complicated, even if just because their procedure for making personnel decisions is more complicated and moves more slowly.

[Question] What will the wages for the employees be like and will they have any voice in the venture?

[Answer] We will be able to discuss these problems in a few years when the plant is equipped with machinery and equipment. We think that wages initially will be the same as in the Factory. Later, wages can change to reflect the achievements of the venture.

As regards the second issue, we want to form an Employee's Council (this is also an innovation for ventures), authorized to evaluate production plans, the principles for distributing the plant fund, the use of the social and housing funds. Its delegate is to have a reserved place on the Supervisory Council.

[Question] Accidents do not only happen to people, they happen to joint ventures. Could Fimbes collapse someday?

[Answer] We are realists, and such a possibility has been considered. The signed agreement on the joint venture obliges the partners until 31 December 1998. Its existence is extended automatically for successive 5-year periods, unless one of the partners wants to leave it. Then the others can purchase his contribution. The venture can also be dissolved in situations foreseen by law, for example, because of bankruptcy.

[Question] I do not wish you to go bankrupt and I do not think that it will happen. The agreement on forming the joint venture gives one the impression of having been carefully prepared, so things ought to go well?

[Answer] We also think this is the case, for we have known our Soviet partners for 20 years. The successive steps have been a logical consequence of that cooperation: in 1984 we formed a joint design office between the Mechanical Devices Factory and Enims. Since 1987 talks have continued on the subject of a joint production plant, and finally we formed a joint venture.

Although we will surely encounter more than one surprise along our joint path, we hope that through our joint strengths we will overcome the obstacles we meet.

More importantly, our initiative will enrich the country with a modern production plant built with the help of our Soviet partners resources.

[Interviewer] Thank you for your comments.

13021

**Proclamation, Resolution on Foreign Exchange Allowances**

26000635 Warsaw MONITOR POLSKI in Polish  
No 9, 19 Mar 88 Item 83 pp 127-132

[Proclamation by the Ministry of Foreign Economic Relations dated 11 Feb 1988 governing the publication of the uniform text of Resolution No 193 of the Council of Ministers dated 8 Dec 1986 governing the detailed principles of creation and utilization of foreign exchange allowances from revenues in convertible currencies and in clearing in second [hard currency] payment area]

[Text] 1. Pursuant to Paragraph 4 of Resolution No 4 of 11 January 1988 of the Council of Ministers, amending the Resolution on the detailed principles of creation and utilization of foreign exchange allowances from revenues in convertible currencies and in clearing in Payments Area 2 [hard currencies] (MONITOR POLSKI, No 4, Item 35), the Supplement to this Proclamation contains the uniform text of Resolution No 193 of 8 December 1986 of the Council of Ministers Governing the Detailed Principles of Creation and Utilization of Foreign Exchange Allowances from Revenues in Convertible Currencies and in Clearing in Second Payment Area (MONITOR POLSKI, No 35, Item 266), with allowance for Resolution No 4 of 11 January 1988 of the Council of Ministers amending the Resolution on the detailed principles of creation and utilization of foreign exchange allowances from revenues in convertible currencies and in clearing in Payments Area 2 (MONITOR POLSKI, No 4, Item 35) as well as for the changes ensuing from the regulations proclaimed prior to the date of issuance of the uniform text and upon retaining the continuous numbering of paragraphs, sections, and points.

2. As given in the Supplement to this Proclamation, the uniform text of the resolution does not comprise the following provisions:

- 1) Paragraphs 15 and 16 of Resolution No 193 of 8 December 1986 of the Council of Ministers Governing Detailed Principles of Creation and Utilization of Foreign Exchange Allowances from Revenues in Convertible Currencies and in Clearing in Payments Area 2 (MONITOR POLSKI), Item 35, namely:

"Paragraph 15. Resolution No 152 of 4 October 1985 of the Council of Ministers Concerning Detailed Principles for Creation and Utilization of Foreign Exchange Allowances from Revenues in Convertible Currencies (MONITOR POLSKI, No 32, Item 218) is hereby revoked.

"Paragraph 16. This Resolution becomes effective on 1 January 1987."

- 2) Paragraphs 2, 3, and 5 of Resolution No 4 of 11 January 1988 of the Council of Ministers, amending the Resolution Governing Detailed Principles of Creation and Utilization of Foreign Exchange Allowances from Revenues in Convertible Currencies and in Clearing in Payments Area 2 (MONITOR POLSKI, No 4, Item 32):

"Paragraph 2. 1. Uniform rates of the foreign exchange allowances referred to in Paragraph 1, Point 2,b will be gradually introduced during the years 1988-1990.

"2. Until the abovementioned uniform rates of foreign exchange allowances are introduced, the rates based on the existing provisions remain binding. For the organizational units for which such rates have not previously been fixed, they shall be fixed by the Minister of Foreign Economic Cooperation.

"3. The applicable rates of foreign exchange allowances may be raised by the Minister of Foreign Economic Cooperation to the level of the uniform rates specified in Paragraph 1, Point 2,b. Priority shall be given to raising the rates for the organizational units which:

- "1) maximize the share of exports in the sales of their output and meet the requirements of export effectiveness;
- "2) finance imports on their own owing to the curtailment of imports based on central planning.

"Paragraph 3. When classifying products and services in the groups referred to in Paragraph 1, Point 2,b, the Minister of Foreign Economic Cooperation will pursue of the goal of having at least 50 percent of the value of imports financed by decentralized sources.

"Paragraph 5. This Resolution is effective as of the day of its proclamation and binding as of 1 January 1988 with the exception of the provision of Paragraph 1, Point 2,c, in the part concerning reduction in foreign-exchange allowances, which is effective as of 1 July 1988."

[Signature]

For the Minister of Foreign Economic Cooperation: J. Kaczurba

**Supplement to the [Above] Proclamation of 22 Feb 1988 (Item 83) of the Minister of Foreign Economic Cooperation**

**Resolution No 193 of 8 Dec 1986 of the Council of Ministers on Detailed Principles of the Creation and Utilization of Foreign Exchange Allowances in Convertible Currencies and in Clearing in Payments Area 2**

Pursuant to Article 30, Paragraph 4, of the Decree of 26 February 1982 on the Financial Management of State Enterprises (DZ.U., NO 8, Item 44, 1986; No 39, Item 192, 1986; No 47, Item 226, 1986; and No 33, Item 181, 1987), in connection with Article 17, Sections 1 and 2, of the Decree of 31 January 1985 on Small-scale Manufacturing (DZ.U., No 3, Item 11, 1985; and No 33, Item 181, 1987) and Article 86 of the Decree of 16 September 1982 on Cooperative Law (DZ.U., No 30, Item 210, 1982; No 39, Item 176, 1983; No 39, Item 192, 1986; and No 33, Item 181, 1987), the Council of Ministers resolves as follows:

**Paragraph 1.** 1. This Resolution defines the principles for fixing the amount of foreign exchange allowances and the disposal of part of the revenues in convertible currencies and in clearing derived from sales of goods and services abroad, for state enterprises and mixed joint-stock companies under commercial law that are entities of the socialized sector, cooperatives or their unions, social organizations engaging in economic activity, and the state organizational entity "Polish Post, Telegraph, and Telephone," hereinafter referred to as "organizational entities."

2. The provisions of this decree do not apply to the organizational entities disposing of the foreign exchange revenues referred to in separate regulations, with the proviso of Paragraph 6, Section 1.

**Paragraph 2.** 1. Revenues in convertible currencies, as construed by the Resolution, are:

- 1) foreign-exchange and cash revenues, in convertible currencies, of the Polish domestic or foreign foreign-exchange bank;
- 2) credit payments due from foreign customers-purchasers of goods and services in convertible currencies, considered as properly insured and discounted by the Polish foreign-exchange bank.

2. Revenues in clearing as construed by the Resolution are:

- 1) revenues in clearing settlements of accounts with the countries belonging to Payments Area 2;
- 2) receipt of payments due in forms other than revenues in clearing, when confirmed by the Minister of Foreign Economic Cooperation as equivalent to foreign-exchange revenues in clearing.

**Paragraph 3.** 1. The basis for foreign exchange allowances credited to organizational entities other than those specified in Sections 2 and 3 is—with the proviso of Section 4—the revenues in convertible currencies or in clearing after deducting:

- 1) transaction cost, including the costs of transportation and insurance, fees of foreign agents, and foreign-exchange remuneration of project authors;
- 2) payments of interest in foreign exchange on loans, if so specified by the agreement between the Polish foreign-exchange bank and the organizational entity;
- 3) foreign exchange expenditures incurred in connection with eliminating defects in exported goods or services, bank collateral payments, and costs of claims; in this connection, in the event that such expenditures are incurred after the foreign exchange allowance is already credited to the bank account of an organizational entity, the Polish foreign-exchange bank may, upon the recommendation of the trading agency, debit that account for the proportion of abovementioned expenditures ensuing from the proportion of foreign exchange allowance credited to the producer of goods or services;
- 4) advance payments received from foreign customers and kept in export advance payment accounts at the Polish foreign-exchange bank and used to finance imports of producer goods for manufacturing the goods to be exported.

2. The basis for foreign exchange allowances credited to transport, insurance, and maritime enterprises and to the state organizational entity "Polish Post, Telegraph, and Telephone" is:

- 1) revenues in convertible currencies and in clearing from foreign customers as well as revenues for the transportation of passengers deriving from sales of convertible currencies to Polish foreign-exchange banks;
- 2) the value of transportation and insurance services provided to foreign trade agencies and other organizational entities to be identified by the Minister of Foreign Economic Cooperation in cooperation with the Minister of Finance, as determined on the basis of the invoices of the enterprises providing these services.

3. The basis for foreign exchange allowances to be credited to foreign trade agencies is:

- 1) revenues in convertible currencies and in clearing that are in excess of foreign exchange expenditures, as derived from re-export transactions and specific foreign-trade transactions exploiting market conditions;
  - 2) excess revenues in convertible currencies as compared with the amount of foreign exchange specified in the agreement with the supplier, if the agreement provides that said excess shall be the basis for crediting a foreign exchange allowance to the foreign trade agency;
  - 3) revenues from dividends due to owing shares in joint ventures in Poland and in joint-stock companies abroad.
4. In the case referred to in Section 3, Point 2), the foreign exchange allowance for the foreign trade agency is deducted from the allowance credited to the supplier.

**Paragraph 4. 1.** The rate of foreign exchange allowance specifies the part of the allowance referred to in Paragraph 3 that can be purchased for the foreign exchange account.

2. The following uniform rates of foreign exchange allowances are introduced for groups of goods and services as a function of their processing:

- 1) 10 percent, for the least-processed goods and services;
- 2) 20 percent, for goods and services with a limited extent of processing;
- 3) 30 percent, for goods and services with a medium extent of processing;
- 4) 40 percent, for goods and services with a high extent of processing;
- 5) 50 percent, for maximally processed goods and services.

3. The Minister of Foreign Economic Cooperation classifies, in cooperation with the Chairman of the Planning Commission under the Council of Ministers and the Ministers of Finance and Industry, goods and services into the groups referred to in Section 2.

4. For foreign trade agencies the foreign exchange allowances from the revenues referred to in Paragraph 3, Section 3, Point 2), are fixed at the same rate as that applicable to suppliers.

5. In the event of exports on which surcharges are imposed, with the exception of the uniform agricultural subvention, the applicable foreign exchange allowances are reduced by 5 percent.

**Paragraph 5. 1.** The funds retained in the form of foreign exchange allowances from revenues in convertible currencies and in clearing, as well as the funds acquired through the procedure defined in Paragraphs 10 and 11, are kept in the organization's separate bank account in a foreign exchange bank, in the form of a selected convertible currency from among the currencies so listed by the Chairman of the National Polish Bank. These funds serve to finance expenditures on imports without any restriction on the kind of currency in which payments are made.

2. The funds retained in the form of foreign exchange allowances from revenues in convertible currencies are kept in the organization's regular bank account, in the currency referred to in Section 1. These funds serve to finance:

- 1) foreign-exchange expenditures, according to the value of the funds;
- 2) clearinghouse expenditures, upon applying the currency conversion standards fixed by the Minister of Foreign Economic Cooperation for discrete revenues from clearing.

3. The funds retained in the form of allowances from revenues in clearing are kept in an additional bank account of the organization, in the currency referred to in Section 1. These funds serve to finance:

- 1) clearing expenditures, according to the value of the funds;
- 2) foreign-exchange expenditures, upon applying the currency conversion standards fixed by the Minister of Foreign Economic Cooperation for discrete clearing revenues.

4. Organizational entities keep records of their foreign exchange allowances kept in a separate bank account of record, in terms of both their value in a convertible currency and their value in zlotys. Current and basic changes in the rate of exchange of the zloty in relation to foreign currencies affect the financial performance of the organizational entity.

**Paragraph 6. 1.** The Polish foreign exchange bank shall open, beginning on 1 January 1987, capital accounts in foreign exchange allowances for holders of accounts of record for foreign exchange allowances as well as for organizational entities which gain the right to dispose of the foreign exchange surpluses credited to them as a result of the reckoning of construction export contracts pursuant to separate regulations in force, with the proviso of Paragraph 1, Section 2.

2. Foreign exchange allowances from revenues credited after 1 January 1987, irrespective of the period of time during which the exports are carried out, may be credited to the organization's capital account in a foreign

exchange bank on condition that they are purchased for zlotys according to the rate of exchange of the zloty binding on the day of purchase.

3. The foreign trade agency notifies the account holder that the convertible currency is available within 30 days after receipt of bank notice. The purchase of the currency for zlotys may occur within 3 months from the day the account holder is notified by the foreign trade agency that the convertible currency is available. Hard currency not purchased within that time limit is transferred to the disposal of the Polish foreign exchange bank.

4. The purchase of convertible currencies by holders of capital accounts for foreign exchange allowances opened prior to 1 January 1987 may occur until the expiration date of their rights to said purchase.

5. Holders of current bank accounts and certificates of deposit in convertible currencies pursuant to Resolution No 152 of 4 October 1985 of the Council of Ministers Concerning Detailed Principles for the Creation and Utilization of Foreign Exchange Allowances in Convertible Currencies (MONITOR POLSKI, No 32, Item 218) receive from the Polish foreign-exchange bank certificates authorizing them to purchase [for zlotys] during the years 1987-1995 the funds in convertible currencies kept in these accounts as of 31 December 1986 plus the accrued payments not credited before the closing date, or to transfer these funds to capital bank accounts for foreign exchange allowances, with the proviso that certificates for amounts equivalent to 5 percent of the value of these funds shall be issued in 1987.

6. The amount of convertible currency specified in the certificate is subject to purchase only within the time limit stated in the certificate and according to the exchange rate of the zloty binding on the day of purchase.

**Paragraph 7. 1.** Organizational entities may, on the basis of an agreement, open joint bank accounts for foreign exchange allowances upon entrusting the right to purchase and dispose of, on their behalf, the funds kept in these accounts to a foreign trade agency, an association, a cooperative union, or another entity selected from among the parties to the agreement.

2. The provisions of Section 1 do not deprive organizational entities of the right to maintain their own bank accounts for foreign exchange allowances.

**Paragraph 8.** The funds kept in capital bank accounts and declared as periodic deposits are subject to interest rates as defined by separate regulations.

**Paragraph 9. 1.** An organizational entity may designate for the following purposes the funds it keeps in its capital bank account for foreign exchange allowances:

- 1) financing imports of the producer goods it needs for current production as well as supplementary imports of goods to which the central financing system applies;
- 2) financing imports of spare parts and materials, as well as of products serving to maintain in-plant and suppliers' productive capacities;
- 3) financing imports of machinery and equipment for manufacturing and servicing needs;
- 4) purchasing from Polish foreign trade agencies, pursuant to a decision by the Minister of Foreign Economic Cooperation, Polish-produced producer and investment goods that are normally exported for convertible currencies. The purchaser's bank account for foreign exchange allowances is thereupon debited for the value of these goods in terms of convertible currencies, and a corresponding foreign exchange allowance is thereupon credited to the bank account of the producer of these goods. The aggregate value of such purchases is determined annually by the Minister of Foreign Economic Cooperation in cooperation with the Minister of Finance;
- 5) developing the needed domestic supplier network and reducing hard-currency expenditures on imports of the producer goods needed chiefly for manufacturing exportable finished products;
- 6) payment of principal and interest on hard-currency loans if so specified in agreements concluded with the Polish foreign exchange bank, and payment of principal and interest on foreign loans;
- 7) protection of inventions, purchase of licenses and scientific and technical achievements relating to the entity's nature of production;
- 8) financing, upon approval by the Minister of Health and Social Welfare, the imports of medical equipment and devices for the health service providing specialized services to the workforce of the organizational entity;
- 9) acquisition of professional literature;
- 10) acquisition, in an amount of up to 1 percent of the balance of the bank account as of 1 January, of imported goods for social services to the workforce of the organizational entity, or for the needs of the region, through the mediation of a specialized foreign trade agency;
- 11) promotion of exports and marketing;

2. Transportation, insurance, and maritime enterprises as well as the state organizational entity "Polish Post, Telegraph, and Telephone" may designate the foreign

exchange allowances credited to their accounts for the purposes specified in Section 1 as well as for defraying the expenditures relating to their operations and marketing activities.

3. The foreign trade agency may designate the foreign exchange allowances in its bank account for:

- 1) the transactions referred to in Paragraph 3, Section 3, Point 1);
- 2) the expenditures referred to in Section 1, with the exception of the expenditures referred to in Section 1, Point 4);
- 3) acquiring a share in the capital of joint ventures and foreign companies;
- 4) imports of equipment for streamlining its operations.

**Paragraph 10. 1.** An organizational entity that maintains its own bank account for foreign exchange allowances may allocate part of its foreign exchange from that account to its suppliers and other organizations cooperating with it in its manufacturing operations on the basis of agreements concluded with them concerning the manufacture of finished products.

2. The abovementioned allocation may consist in transferring foreign-exchange funds from one bank account to another or in financing the import needs of suppliers or other cooperating organizations as mentioned in Section 1 directly from the entity's bank account for foreign exchange allowances. Such allocations are made in return for equivalent funds in zlotys according to the binding rates of exchange for the zloty.

3. Suppliers and other organizations cooperating in the entity's manufacturing operations may keep the thus obtained foreign exchange in their capital accounts at the Polish foreign exchange bank and spend it on the purposes specified in Paragraph 9, Section 1.

**Paragraph 11.** The funds accumulated in capital, regular, and additional bank accounts for foreign exchange allowances as well as the certificates referred to in Paragraph 6, Sections 5 and 6, may be made available to entities of the socialized sector according to the procedure defined by the Chairman of the National Polish Bank in cooperation with the Ministers of Finance and Foreign Economic Cooperation.

**Paragraph 12. 1.** The bank accounts for foreign exchange allowances credited for exceeding export targets and used to defray imports in convertible currencies are closed as of 1 January 1987. The balances of these accounts may be purchased for zlotys by those holders of capital bank accounts for foreign exchange allowances who actively contributed to crediting such allowances to

the accounts subjects to closure. The Polish foreign exchange bank shall issue to such holders certificates in accordance with the principles defined in Paragraph 6, Section 5.

2. The provisions of Section 1 do not apply to the following accounts opened at the Warsaw Commercial Bank, Ltd.:

- 1) No 120-8992-787, in the name of the Chairman of the Planning Commission under the Council of Ministers;
- 2) No 101-8992-787, in the name of the Ministry of Mining and Power Industry;
- 3) No 108-8992-787, in the name of the Ministry of Mining and Power Industry;
- 4) No 112-8992-787, in the name of the Main Board of the "Prasa-Ksiazka-Ruch" Workers Publishing Cooperative;
- 5) No 118-8992-787, in the Name of the Skorimpex [Leather Imports and Exports] Foreign Trade Society;
- 6) No 123-8992-787, in the name of "Film Polski" Film Export and Import Enterprise;
- 7) No 128-8992-787, in the name of the Ministry of Chemical and Light Industry;
- 8) No 130-8992-787, in the name of the Foreign Trade Office of the LOCUM Central Union of Housing Construction Cooperatives;
- 9) the Board of the INTERMAT Supply Organization.

**Paragraph 13. 1.** The funds kept in capital accounts for foreign exchange allowances are accumulated in the banks offering these accounts. The funds designated for expenditures financed from decentralized accounts cannot be used for any other expenditures.

2. The funds representing the balance of capital accounts may be used by foreign exchange banks to grant loans in convertible currencies, with the proviso that these banks are obligated to maintain the liquidity of these accounts.

**Paragraph 14.** Orders for payment debited to the accounts for foreign exchange allowances are given priority by the Polish foreign exchange banks.

**'Special Measures' Fall Short; Export,  
Anti-Inflationary Actions Evaluated**  
*26000653a Warsaw RZECZPOSPOLITA in Polish  
20 Jul 88 pp 1, 6*

[Text] Public expectations relation to economic reform still remain unfulfilled. So in this situation there is an understandable desire for quick "inventory" of the effect of extraordinary power and authority for the Council of Ministers, approved by the Sejm at the beginning of May this year.

Their approval was designed, we recall, to overcome bureaucratic barriers and old customs and fortify and expand reform actions. To put it most succinctly, the goal was give reform new impulses.

A meeting with Jerzy Malkowski, government spokesman for economic reform matters, at the Government Press Office on 19 July did not provide this answer. The period of not quite two months during which the new alternatives have been in effect (implementation of the extraordinary power by 30 June was discussed) has proved to be too short to represent anticipated economic phenomena with columns of numbers and indexes. So there was more discussion about the trends being outlined, about creating conditions so that the instruments of reform would operate efficiently, rather than about concrete results.

Strong stimulation of growth in exports is producing significant results. Yet this frequently occurs at the expense of the domestic market. In order to protect it, it was decided to make granting export deductions in income taxes and on above-standard remuneration contingent on maintaining supplies to the domestic market at their current level. Stabilizing taxes serve to protect the market as a consequence of stimulating increased production. They affect the "setting in motion" of unexploited elements of production—fixed assets, surplus inventories of materials, machines and means of transport and surplus goods.

Much attention is being devoted to anti-inflationary action. This is all the more important because, as the most recent analyses show, planned rates of increases in prices and personal income have been surpassed. The former is increasing by about 57 percent, income by about 60 percent. One factor slowing price increases is the extension from three to six months of the period for which finance offices can defer price increases made by an enterprise, the ability to sell certain goods at contract prices in the form of an auction and changes in the administration of funds for compensation. In the latter case, the point is to induce enterprises and other economic entities to evaluate their financial situation and analyze their credit capabilities when the consequences of wage increase become fact. The monthly payment to the state treasury of taxes on above-standard remunerations will also operate in a disciplinary way on enterprises.

The purpose of the extraordinary powers is also to influence the structure of production through changes in investment policy on one hand and through division and liquidation of enterprises on the other hand. This process is already going on, although it has a rather limited scope. Twenty-one enterprises employing a total of about 20,000 people have been placed in liquidation status. It should be reckoned that in a relatively short time, there will be decisions regarding mergers, divisions or liquidations of larger enterprises. This is related to the appointment of two interdepartmental groups evaluating the economic efficiency of foundries and shipyards.

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**ROMANIA**

**Expanded Range of Optical Products for Export**  
*27000001 Bucharest REVISTA ECONOMICA  
in Romanian No 26 1 Jul 88 pp 14-15*

[Article by Gheorghe Gomoiiu, director, Romanian Optical Enterprise: "The Romanian Optical Industry, a Respected Trade Partner"]

[Text] The Romanian Optical Enterprise was established in 1936 to engage in "manufacture and marketing of optical, acoustic, and precision mechanics materials. Its founding marked creation in Romania of an industry specializing in this area. Licenses and the assistance of foreign industrial firms were obtained for this purpose" (from OPTICIANUL, jubilee edition of the plant newspaper published on the 50th anniversary of the Romanian Optical Enterprise, September 1986). The first optical devices manufactured by the Romanian Optical Enterprise, delivered starting in 1940, were binoculars, telescopes, telemeters, etc. Following nationalization of the principal means of production on 11 June 1948, the Romanian Optical Enterprise became a state enterprise. It progressively diversified its production structure in the direction of items such as microscopes, from the simplest ones to those used in research, apparatus for static projection (dia and epi), eyeglass lenses, photographic equipment, measuring instruments and laboratory apparatus, etc.

A number of developments began in 1965, involving both enlargement of production facilities and utilization of high performance machinery and equipment. The 1972-1975 development period represented a major leap into the future. In addition to the building of new machine, optical, and assembly shops, an 11-tier pavilion was built for research laboratories, product and technology design activities, and a computer center. The foundation was thus laid for transition to intensive development, as a result of broadening the base of empirical and theoretical data both in applied optics and in related fields. The decisive role played by leading-edge research in fostering technical progress is well known. Consider the increasingly important role of optoelectronics, an advanced field in which the laws of optics are

applied to the most recent achievements in the sphere of electronic technologies. A number of unconventional high performance technologies have evolved on this basis: heat-resistant optical coatings for motion picture projection equipment, reflectors, filters, and laser anti-glare coatings. Modern computer procedures have been applied to develop a large number of leading technologies designed to raise the performance of optomechanical equipment to meet world class standards. The design of complex optical systems, optical design of systems, and design of electric circuits are also computer assisted. Recording technical and economic data for individual products (technology, components, materials, orders) is inconceivable today without the assistance of the computer center, which has three mainframe computers and two minicomputers.

When the original premises could no longer accommodate increased development of the enterprise, construction began in 1975 on Romanian Optical Enterprise 2 in the vicinity of Romanian Optical Enterprise 1. More recently, production has begun at the Timisoara Optical Enterprise, which has taken over manufacture of a number of products from the product mix of the Romanian Optical Enterprise in Bucharest.

The enterprise has constantly endeavored to improve quality and competitiveness in order to continue implementation of national programs assigned priority in the area of precision mechanics and optics. This explains why the rate of growth of exports far exceeds that of the volume of industrial output. The 10-fold increase in production over the last 2 decades has paralleled a simultaneous increase of approximately 50 percent in direct and indirect exports, with the result that in recent years more than 50 percent of the output of the Romanian Optical Enterprise has been delivered to customers abroad.

The development of industrial cooperation activities with world-famous firms in the field of optical equipment such as Pentacon, C. Zeiss, Leitz, and Opton requires that Romanian Optical Enterprise products meet the technical and performance standards of these firms. For more than 20 years the enterprise has been cooperating with the Pentacon Company in the GDR in the manufacture of photographic lenses. For 12 years now we have been exporting eyeglass lenses to a large number of countries which have a tradition of manufacturing in the area of optics, and for 16 years we have been cooperating with Leitz Wetzlar.

Both sides have naturally profited by this cooperation, from the viewpoint of rapid development of production capacity, long-term planning of cooperation and specialization, with the attendant favorable consequences, ongoing improvement in professional skills, joint marketing of products, and so forth. Our partners have appreciated the pace of our development, the modern

technologies implemented, the speed in starting up manufacture of new products, and our flexibility and responsiveness to the dynamics of the international market.

The current export list of the Romanian Optical Enterprise includes the following groups of products: microscopes and stereomicroscopes, projection equipment, cameras and lenses for them, medical optical equipment, optical measuring instruments, miscellaneous items of laboratory equipment, and high-performance optical components. Original scientific research has also made a decisive contribution to each of these product groups. This research is embodied in a large number of inventions registered by the Romanian Optical Enterprise and is reflected in the creation of modern designs, processes, and technological solutions which are systematically and uninterruptedly improved.

The range of microscopes made by the Romanian Optical Enterprise covers a wide variety of types, beginning with those for school use. Noteworthy among them is the modern "Junior" design. A higher degree of complexity is reflected in the MD1-M, MD2-M, and M.I.-1 educational and training microscopes.

The category of professional microscopes for routine laboratory operations is represented in the product mix of the Romanian Optical Enterprise by the ML4-M, a laboratory microscope having a revolving head provided with five lenses of different powers and a built-in lighting system. Laboratory microscopes have been developed for different research conditions in medical, biological, natural science, and various other laboratories. The BIOROM and EDUROM are the most widely used types. Based on them are the FLUOROM, POLAROM, and other structural and equipment modifications providing functional modes such as a lighting system, phase contrast, photographic capability, closed-circuit television monitoring, etc. The BIOROM microscopes incorporate three primary invention patents: a vertical movement attachment, a camera attachment, and a light concentration system invented by engineers Nicolae Tintu and Aurel Balint.

The third class is represented by highly complex microscopes for general or specific research. The universal research microscope (MC5-A) is used for research work requiring multiple procedures and options, such as light transmission and/or reflection, a dark field, polarized light, fluorescent light, phase contrast, microprojection, microphotography, and so forth.

With this microscope used as a basis, the inventions of a talented group made up of engineer Liviu Iliescu, physicist Ion Dragos, engineer Dumitru Ionescu, and technician Ion Iancu were applied to develop special-purpose microscopes such as the MC-6, a microscope for research in metallography, the MC-7 for research in biology, and the MC-9 for research in fluorescence.

In response to the current requirements of industry and research, new types of stereoscopic microscopes have been produced which make it possible to obtain images in relief. The Romanian Optical Enterprise has its own original design for manufacture of stereomicroscopes. The design ("A Stereoscopic Optical Method and Device," developed by engineer Liviu Iliescu and physicist Ion Dragos) was patented in 1985 and has been registered even in countries with a tradition in the area of optics, such as England, the FRG, and the United States. These products, which have two observation channels (material observed directly and reference sample) exceed world market standards. They are made in a standard model (for biology, geology, metallurgy, and so forth) and in a stereoscopic comparison microscope version (the MSC-200).

The quality of the Romanian microscopes has been certified in a large number of countries to which they are exported, such as Poland, Bulgaria, the GDR, China, the People's Democratic Republic of Korea, India, Algeria, and others.

Several decades ago the Tehnocin enterprise, which made motion picture equipment, was merged with the Romanian Optical Enterprise. As a result, the latter also instituted production of stationary and portable motion picture cameras and projectors. The Romanian Optical Enterprise currently manufactures both motion and still picture cameras and projectors. The enterprise has applied a number of patents for inventions created by its staff to make professional (35-millimeter) projection equipment for large theaters, with standard, cinema-scope, or cassette film. This is the APS-35-8.1; the APS-35-8.2 is made for small theaters. The performance features of this equipment include the ability to run 1,800 meters of film, lighting with halogen or xenon lamps, various electronic automation features, etc.

The Romanian Optical Enterprise produces two types of portable equipment for projection of 16-millimeter film: the APT-16-4 M (professional) and the APT-16-5 M (for use in instruction). It also makes the APT-16-2 stationary type for professional use. The range of still picture projection equipment is also a wide one; it includes the DIASTAR slide projectors, in a semiautomatic version, with remote control, and with remote control and a timer). Reflection projectors (epiprojectors) are represented by the EPISTAR with a power of 1000 watts halogen and EPISTAR F with a power of 150 watts halogen. The new products also include dividers, simple but ingenious devices for viewing slides.

The range of photographic cameras and lens has been diversified without interruption over the last 20 years, since cooperation began with the Pentacon firm in manufacture of camera lenses. The camera lenses made by the Romanian Optical Enterprise are currently used in the Praktica cameras, which are rated among the best in the world. There have been added to them in the interim telephoto lenses made for the same customer, lenses for projection equipment, lenses for duplicating machines, lenses for closed-circuit television, and other types of lenses. There are currently six versions of the

ORIZONT camera, corresponding to the different segments of demand: the Amator [Amateur]; the Amator d, with autotimer; the Expo, with exposure meter; the Expo-D, with exposure meter and autotimer; the Optim, with semiautomatic control, exposure meter, and autotimer; and the Optim-a, with automatic control and all the other features. Various accessories are also made for photographic equipment, such as a slide duplicator, multiprisms, and a flash adaptor.

The medical equipment group includes the DENTIOR fully equipped dental units (with handheld parts, compressor, two-way dental turbine). The design and manufacture of these units also involve several patents originating with the Romanian Optical Enterprise.

One product in great demand in export is represented by eyeglass lenses, of which a very wide range is manufactured. The Timisoara Optical Enterprise has now taken over production of these lenses. The Romanian Optical Enterprise has designed and has started, or is on the point of starting, production of a wide variety of ophthalmologic treatment devices, such as a synoptophore (for treatment of ocular mobility), an amblyophore (for treatment of amblyopia), an ophthalmologic testing kit, and lamps and mirrors for skiascopy. At the same time, preparations are in progress to start up production of apparatus for vision testing and eyeglass fitting (pupil dysmeter, proxotype, distotype, dioptrimeter, etc).

Optical laboratory equipment for measurement is represented both by products made in series, unique items, and short-run products. Cylindrical and parallelepiped levels, measuring microscopes, centering microscopes, and other items are made in series production.

In view of the current and future development of the demand for optical products in Romania and foreign market requirements, technological development will be oriented in two major directions.

One is represented by "vertical" action to improve certain products and keep them at the world level, ones such as laboratory microscopes, comparison stereomicroscopes, stationary 35-millimeter and portable 16-millimeter moving picture projection equipment, lenses, and cameras.

The other direction is "horizontal" action to improve new technologies in precision machining, optomechanical working and assembly, thorough research on use of new components and materials specific to optical apparatus, and development of computer technology.

The trademark of the Romanian Optical Enterprise is registered and is internationally recognized.

The Romanian Optical Enterprise has on several occasions received gold medals at international fairs for the excellent performance of its products, and recently it was again awarded the Order of Labor for the results it obtained in socialist competition.

## INTRABLOC

### Population Trends Analyzed

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[Article by Minko Petkov Minkov, doctor of economic sciences, professor at the BAN Institute of Sociology, and chairman of the Coordination Council for Demography of the BAN Presidium: "Demographic Development in the European Socialist Countries"]

[Text] It was especially after the 1950's that the demographic problem turned into a global problem for mankind. Based on the specific features of population reproduction in the various parts of the world, a variety of problems have faced scientists, men of culture, business circles, and public figures.

In 1987 the world noted the birth of the fifth billion person. This gave food for thought rather than joy or satisfaction. It was also a call for the sensible use of the unique Space Ship Earth and for more justice in the individual countries, continents, and throughout the world.

### Demographic Transition in Various Parts of the World

The various parts of the world are in a state of demographic transition.<sup>1</sup> In this article, based on United Nations forecasts, we shall try to shed some light on the specific features governing the beginning and development of the demographic transition in them. We shall use as criteria of the level reached in a given area the four phases of demographic transition, as defined by the United Nations, based on the development trends in birth and mortality rates.<sup>2</sup>

The first phase presumes a faster decrease in the mortality rate compared to the birthrate and the growth of the natural increase to a maximum.

In the second phase the birthrate declines faster than the mortality rate to the point at which the level of the mortality rate has reached a minimum.

The third phase includes the period during which the birthrate continues to decrease while the mortality rate rises, as a result of which the natural increase drops rapidly.

In the fourth phase fertility drops to the level of replacing the parents and the continuation of this process leads to equating birth with mortality rate, i.e., simple population reproduction.<sup>3</sup>

What concerns the world most of all is the high birthrate and intensive population increase in the developing countries. According to United Nations estimates, despite developing trends of decline in fertility, it remains high and, against the background of a declining mortality rate, leads to a substantial increase of the population, by a factor of 2.2 between 1950 and 1985.<sup>4</sup> These trends, however, vary among individual areas in the developing countries. In Africa the overall fertility coefficient ranged between 6.5 and 6.7 children per woman for the entire 1950-80 period and it was only after 1980 that a slight decrease—6.3 children—was noted.<sup>5</sup> This decline is due to a decline in fertility essentially in North Africa. It is considered that Africa could enter the third phase of the demographic transition only after its overall fertility coefficient has dropped to three children (after the year 2025), and the fourth (and final) phase, not before the year 2070.

A significant drop in fertility was noted in Latin America: from 5.9 children in 1950-60 to 4.1 in the 1980-85 period. It is considered that this area has already entered the second phase of the demographic transition; it is anticipated that it will reach the third by the year 2010 and come close to the fourth in the year 2025.

The sharpest decline in fertility was noted in eastern Asia, from nearly six children in 1950-55 to 2.3 children in 1980-85. This process shows most vividly a decline in fertility in China, where it is already coming closer to simple reproduction. As a result of an active policy of restricting the birthrate, which included both material and moral incentives and administrative measures, China was successful in limiting population increases, lowering fertility to 2.2 children. According to UN forecasts, in the 1990s and the first years of the 21st century, fertility in eastern Asia will drop to less than two children and by the year 2025 it will return to the level of simple reproduction. Thus, eastern Asia refuted all previous forecasts concerning the gradual entry into the different phases of the demographic transition over a long 70-year period, which it accomplished in 30 years only.<sup>6</sup>

Fertility in south Asia is declining considerably more slowly, from six children in 1950-55 to 4.6 in 1980-85. It is anticipated that this decline will continue, with a fertility reaching three children in the year 2000 and almost two children in the year 2025. Thus, this area as well is outstripping the 1977 United Nations forecasts concerning the various phases of the demographic transition. It is deep into the second phase and is on the threshold of the third phase of the demographic transition. The likelihood is that it will enter the fourth phase some 30 years ahead of predictions made 10 years ago, according to which its advent was to take place around the year 2060.

**Overall Fertility and Birthrate in Various Regions of Europe for the Period 1980-85**

	(per 1,000 inhabitants)	
	Overall Fertility Rate	Birthrate
Europe (overall)	1.88	13.9
USSR	2.35	19.0
Other Socialist Countries in Europe	2.18	16.5
Northern Europe	1.86	13.4
Southern Europe	1.93	14.0
Western Europe	1.63	12.0

Source: European Population Conference 1987, Seances Plenieres, Central Statistical Office of Finland, Helsinki, pp 18, 27.

The demographic situation in the developed countries is radically different. Europe, with a fertility of 1.88 children per woman in 1980-85, and North America, with 1.83 children, have already entered the fourth phase of the demographic transition. Let us note that this too is taking place much faster than the UN predictions made a decade ago, when it was assumed that this phase would occur in the 1990's.

The study of the trends of demographic development in the developing countries leads us to two main conclusions:

**First.** The developing countries are following the path of the developed countries in their demographic march. The demographic transition presents a pattern applicable to all areas and countries in the world.

**Second.** In most developing countries the demographic transition is taking place within much shorter times, compared with the forecasts and the classical development of this process in some developed countries.

These demographic trends are based on the link between the reproduction of the population and the public reproduction process. Extensive development in the developing countries still objectively presumes a high population growth. In many cases, however, the demographic growth is substantially exceeding the need for manpower and unemployment is a permanent companion of the developing world. Extensive development, along with open and hidden unemployment, determine the low living standards and primitive way of life in the developing countries. Thus, the per capital national income of the population in those countries is lower by almost a factor of 10 compared to the developed countries. Whereas the developed countries consume an average of 34 percent more calories than are necessary, in some parts of the developing world, such as Uganda, Zimbabwe, Chad, Ethiopia and others, more than 20 percent of these requirements are not being met.<sup>7</sup> We must not forget that these are average figures and that the situation, as it affects some population strata in the developing world,

particularly hired labor and the peasantry, is even more drastic. Increased extensive development is holding back the process of upgrading educational and cultural standards which, in turn, dooms to failure the policy of family planning.

The aid which some developing countries receive from the imperialist states is in frequent cases aimed at encouraging the production of raw or other materials needed by their own economies and does not contribute to the development of an efficient production structure which would allow the comprehensive development of the economy and ensure the fuller satisfaction of the needs of the people in the developing world. To all this we must add the predatory exploitation of natural resources—forests, minerals, and water—which, in turn, steadily worsens the ecological problems in some of these countries and throughout the world.

The tangled knot of problems in the developing world can be undone only with economic assistance which would stimulate the intensive development of these countries. This will objectively necessitate the enhancement of the educational and cultural standards of the population, which, without resorting to the missionary role of neo-Malthusianism, will solve the problem of controlling the number of children in the family. The reproduction process itself of both manpower and population, with high quality features and a high degree of education, will objectively lead to a drop in the number of children per family.

**Demographic Situation in the Developed Countries and Its Specific Features in the Socialist Countries**

That which is increasingly concerning the developed countries, Europe above all, is low population increases which, in some countries, has reached the level of depopulation, i.e., of a decline of the population as a result of a higher mortality compared to a birthrate. It is no accident that the most frequently used word at the European population conference in Jyvaskyla, Finland, was "depopulation."<sup>8</sup>

Based on the average UN forecast, fertility in Europe (1.88 children for the 1980-85 period) could reach 2.05 children in 2025, which would ensure a population increase on the continent from 492 million in 1985 to 512 million in the year 2000 and 524 million in the year 2025.<sup>9</sup> This is a rather optimistic forecast, bearing in mind that so far we are still not noticing in Europe any process of increased birthrate but, conversely, a continuing decline in population growth and increased number of countries in a state of depopulation. That makes more realistic the hypothesis that fertility will drop to 1.83 children and, after a slight increase until the year 2000, the population in the year 2025 will remain on the 1980 level of 484 million, after which it will decline to 451 million in the year 2035. According to this forecast 15 of 36 European countries will be in a state of depopulation

as early as the year 2000 and by the year 2025 their number will reach 20. The process of depopulation is most clearly manifested in the western and northern parts of Europe, whereas in the eastern part, which includes the socialist countries, a decline in the growth is anticipated without reaching the level of depopulation during the period covered by the forecast.

What are the specific features of population reproduction in the European socialist countries? We must bear in mind, above all, that it is based on the socialist production method, the features of the social reproduction process and, on this basis, the established social relations and the socialist way of life.

Population reproduction under socialism should be consistent with the requirement of ensuring full employment, efficient use and comprehensive development of the population in accordance with the objective requirements of the social reproduction process. This law which, to a certain extent, has been implemented in the individual countries, determines both the overall and the specific features of their demographic development. The general conclusion which can be drawn is that full employment, social insurance and a social policy, aimed at helping the families in caring, raising and educating the growing generations in the socialist countries, ensure a higher birthrate and population increase compared with the developed capitalist countries.

**Birthrate, Death Rate, and Natural Increase of the Population in Some European Socialist Countries**

(per 1,000 inhabitants)

Country	Birthrate			Death Rate			Natural Increase		
	1970	1980	1986	1970	1980	1986	1970	1980	1986
Bulgaria	16.3	14.5	13.4	9.1	11.1	11.6	7.2	3.4	1.8
GDR	13.9	14.6	13.4	14.1	14.2	13.4	-0.2	0.4	1.7
Poland	16.6	19.5	17.0	8.1	9.9	10.1	8.5	9.6	6.9
Romania	21.1	18.0	15.8*	9.5	10.4	10.9*	11.6	7.6	4.9*
USSR	17.4	18.3	20.0	8.2	10.3	9.8	9.2	8.0	10.2
Hungary	14.7	13.9	12.1	11.7	13.6	13.8	3.0	0.3	-1.7
Czechoslovakia	15.9	16.3	14.2	11.6	12.2	11.1	4.3	4.1	2.3

\*1985

Source: "Narodnoye Khozyaystvo Stran-Chlenov Sev," Moscow; STATISTICHESKI SPRAVOCHNIK, TsSU, 1988, p 270

The data show (see table) that the socialist countries have a high birthrate, which also determines their expanded reproduction characterized with the net coefficient (the net coefficient of population reproduction expresses the possibility that girls will live to the age of their mothers. If they do, it is one; if they surpass it, it is higher than one and we have expanded reproduction; if they fail and is less than one, it signals a reduced reproduction in the future) of 1.130, compared with 0.900 in northern Europe, 0.910 in southern Europe and 0.780 in western Europe.<sup>10</sup> Meanwhile, increased intensive development, related to the scientific and technical revolution, required for some of them to reach, within a short time, an exceptionally fast increase in the qualitative characteristics of the population, such as raising the level of education, skills and cultural and technical standards of the population. This process, which leads to increasing investments in the reproduction of the growing generations both on the part of society and the family, objectively limited population increases in the European socialist countries. In some socialist countries, such as Hungary and Bulgaria, the stimulating influence of demographic policy is unable to surmount the negative influence on the birthrate of other facilities and concern-related to contemporary reproduction, assumed

by the family. For that reason both the birthrate and the growth of the population have dropped below the objective need for population and manpower. In Romania an effort was made to surmount this trend through a system of incentives and administrative steps. However, its effect was temporary and currently its birthrate is low (14-15 per thousand, as is the case with the other socialist countries). For a while, in the 1970s in Czechoslovakia, the GDR and Bulgaria, and in the GDR in the 1980s as well, the broad and comprehensive policy of encouraging the birthrate was able to surmount the obstructing effect of increased reproduction requirements and yielded positive results. However, this too was temporary.

The demographic development in the socialist countries is influenced by many social, psychological and biological factors in addition to the basic socioeconomic influence of the connection between increased requirements for contemporary population reproduction and the possibilities of society and the family to meet such requirements.

In an industrial and urbanized society, the objectives and interests of the individual are much richer and more varied. There also is the problem of proving oneself through labor and of the personality with its ambitions

and capabilities, and reaching higher positions in life which, given the present circumstances of socialist development and current social standards, can be achieved mainly outside the family. All of this frequently sets for the individual the priority of other ambitions and aspirations, which lead to postponing childbirth. This particularly applies to the woman who, under contemporary conditions, is emancipated. Her quite high social involvement and profound changes in the nature of her work, which takes place outside the family, do not always allow her to combine her labor and social involvement with increased care for children.

Under contemporary conditions of extensive full-time training, the young person is late in assuming social roles and responsibilities; he is late in proving himself and obtaining material opportunities for fulfilling his reproduction plans. This frequently makes him dependent on his parents, lowers his self-esteem and adversely affects both the shaping of his reproduction plans and their implementation.

Intensive internal migration in virtually all socialist countries led to an instability in the life of the young. This takes a certain period of time and concern for settling in the new residence, which also has an adverse effect on the birthrate. Sociological studies have indicated that the active migrants usually have fewer children and smaller families.

Sociopsychological factors also appear on the basis of this socioeconomic foundation, which influence the birthrate. Children are assuming an increasingly diminishing position in the hierarchy of targets, interests and value orientations. Under contemporary conditions, the child is neither the social support of the parents nor a source of manpower which, from an early age, contributes to the family income. Material interest in having more children in a socialist family does not exist. Awareness of the need of continuing the species and pursuing the objectives, interests and projects of the species and achieving through their children that which the parents themselves were unable to achieve, giving a meaning to life through children and love of children are sociopsychological motivations for shaping the reproduction behavior of the contemporary socialist family. The fact that the direct economic interest in having children, displayed in the past, has been replaced by the direct impact of psychological factors occasionally creates the illusion that such factors are just about basic. We must not forget, however, that they develop on a specific socioeconomic base, which is the material foundation for ensuring a certain population reproduction.

In the patriarchal family, which was preserved until the beginning of this century in some European socialist countries, the individual aspect of the personality does not exist. The individual blends with the family and social standards affect the family directly and not through the individual, as is the case currently. At that time religious standards were basic, according to which

abortion is a sin in the eyes of God and a shame in the eyes of people, and childlessness or having few children were considered a misfortune and divine punishment. Under such circumstances women kept giving birth from the day they matured sexually and almost until their maximal bearing age, and felt unhappy if unable to perform such a basic function.

Under contemporary conditions in the socialist European countries, when every member of the family is an individual with his own needs, objectives, interests and value orientations, it is much more difficult to achieve a coordination between social needs and individual reproductive behavior. In order to assist such coordination, the socialist family, which stands between society and the individual, must not only be stable but also convinced of the great responsibility which it has to society for the reproduction of growing generations. However, this means that society must ascribe a high value to the reproduction activity of the family and the individual. In frequent cases the low prestige of a family with more children and the unjustified view that having many children is just about a manifestation of ideals and value orientations characterizing people with a low cultural standard, is a psychological barrier blocking the birthrate.

Demographic factors as well influence the birthrate in the socialist countries. Thus, to a certain extent the fact that women born during the period of the postwar demographic compensation, which came to an end in 1950, entered their childbearing age, increased to a certain extent the birthrate in the 1970s in Czechoslovakia, Bulgaria, and Hungary.

In recent decades there has been a decline in the marriage rate in virtually all socialist countries, which cannot be explained only in terms of the aging of the population. This process is also influenced by postponing marriage by an increasing number of young people and the increase in the number of single people. Compared with the turn of the century, the average number of families has declined in most countries by roughly one-half, while the number of unmarried individuals has been increasing steadily. Such processes, which touch upon the shaping and development of the basic reproduction unit—the family—also have an adverse effect on the birthrate.

Nor should we ignore the influence of some medical and biological factors. Changes in the way of life as well as some negative phenomena related to the hygiene of living and working in settlements and production collectives, to which we must add the disturbed ecological balance in some areas, result in retaining on a relatively high and stable level the rate of stillborn and neonatal infant mortality in countries such as Romania, Bulgaria and Hungary. These conditions also lead to sterility in men and women. Another concern is caused by the high level of abortions in some countries, such as Bulgaria and Romania, which seriously raises the problem of the

production and dissemination of contemporary contraceptives. The stipulations of our party documents, as well as UN recommendations concerning the "freedom of families to determine for themselves the number of their children and when to have them," is in the spirit of our humane socialist society.

#### **Guidelines of Demographic Development in the Socialist Countries**

In order to determine the guidelines of demographic policy under socialism, we should answer the question of what are the limits of the objective development of basic demographic processes or, more specifically, what is the "demographic optimum" toward which this policy should be directed in a given socialist country. This means that we must define the type of population reproduction system which would favor to the greatest extent the development of the production process, increased consumption and multiplication of the social product, i.e., which would presume the highest possible efficiency of human life. The search of an optimum from this viewpoint, conducted by Kvasha (USSR) and Jean Bourgeois-Pichat (France),<sup>11</sup> as well as our studies in Bulgaria have indicated that this is not a system which can be achieved with a high birthrate (exceeding 19 per thousand), for it demands of the active generations to raise many children; nor is that of restrained reproduction, in which deaths exceed births, leading to a reduction of the population or depopulation.

With a restricted reproduction, which already exists in Hungary and to which Bulgaria is coming close, the population in the active age groups, which is the most initiative-minded and industrious, declines; the labor and living fronts begin to disappear and at this point a large number of old people must be supported by small labor active generations. In other words, the so-called demographic load on the active labor population increases and the possibility of expanding socialist reproduction to its full scale becomes limited.

It is obvious that with the current level of development of the European socialist countries the expanded population reproduction, as it existed in the past, is neither necessary nor possible. A moderately expanded reproduction which, in accordance with the specific features of the individual countries, would be within the boundaries of the net coefficient of 1.00-1.200, determines, in its general lines, the area of the demographic optimum. This means that in accordance with the specific conditions prevailing in the individual countries, given the current level of mortality, the demographic optimum should be sought within the limits of a birthrate of 13-17 per thousand. Its specific optimum would depend on the level of socioeconomic development, territory, material resources, mortality rate and other conditions prevailing in the individual socialist countries.

The level of demographic development in the individual socialist countries is seen in the table.

Compared with the 1970's and beginning of 1980's, the birthrate increased only in the USSR. It remained stable in Poland and declined in the remaining socialist countries. The mortality rate declined in the USSR, Czechoslovakia and the GDR but increased in the other countries. The natural growth has remained stably high in the USSR and Poland and declined most sharply in Romania, although remaining relatively high; it is low in the GDR and Czechoslovakia, about two per thousand, while Hungary is in a state of depopulation.

Sociological studies of reproduction behavior do not inspire any particular optimism to the effect that countries which are in a state of depopulation or close to it would be able rapidly to come out of this situation. The two-children pattern has become firmly rooted in Hungarian, Bulgarian, GDR and Czechoslovak families. It is also typical of the European part of the USSR. Reproduction patterns remain relatively higher in Poland and the Asian part of the USSR. Meanwhile, studies in Bulgaria indicate that if material and housing conditions of young families are improved, it would become possible to overfulfill reproduction plans by 10 percent, reaching close to the reproduction ideal. This indicates that the demographic policy should be aimed at taking steps leading to a more tangible aid to families in raising the growing generations.

The socialist countries also face the problem of the efficiency of population reproduction, which depends not only on the birthrate but on the mortality rate as well, and on increasing the life span and ensuring a slower replacement of generations. As a result of the higher living standard of the people, the active social policy and free medical care, the socialist countries have achieved unquestionable success in extending the average life span of the people compared with the time prior to World War II. In terms of this important indicator, which expresses the overall development of society, they are on the level of the developed countries. Thus, the average life span at the start of the 1980s ranged in the European socialist countries, for men, from 66 in Hungary to 70 in Czechoslovakia and the GDR, and for women, from 74 in Romania to 77 in Czechoslovakia.

This success, however, should not prevent us from seeing the problems existing in this important area. In the past decade some of the countries have reached a ceiling in terms of lowering the age-group mortality rate and a stabilization and even a certain increase in the standardized mortality coefficients and a slow drop in the average life span, particularly in men. This is characteristic above all for Hungary and Bulgaria. Our developed socialist countries have still not reached the level of the Scandinavian countries and Japan, which is longer by more than 6 years.

The creation of new generations may be restricted and a demographic optimum can be achieved with a lower birthrate by reducing the mortality rate and extending the life span. In practice this means upgrading the

efficiency of the population reproduction itself. This process has played a major positive role in terms of socioeconomic development, for the active life of the individual becomes longer; acquired knowledge, skills and experience are used over a longer period of time; more goods are produced and left to society by the individual in the course of his lifetime, or in other words human life becomes more efficient.

In practice the problem of upgrading the efficiency of population reproduction under present circumstances prevailing in the socialist countries may be reduced mainly to a lowering of mortality caused by so-called sociosignificant diseases: diseases of the cardiovascular system (including brain embolisms); malignant tumors; diseases of the respiratory, digestive and nervous systems; and accidents in daily life and at work. Since in the case of most such diseases mortality in men is higher, we face the serious problem of supermortality in men which, for the time being, in virtually all countries has led to an increased gap in the average life span between the sexes, which ranges from 5 years in Romania to 10 years in the USSR.

Essentially, the problem of the mortality rate is not only medical. To an even greater extent it is even social. Its level depends not only on hunger, misery or low hygiene and population standards, problems which have been largely solved in all socialist countries. It depends above all on the contemporary conditions of lack of mobility and limited contacts between man and nature and disturbances in its ecological balance, improper nutrition, alcohol and tobacco abuse and increased stress.

#### **Characteristic Features of Demographic Policy in the Socialist Countries<sup>12</sup>**

All socialist countries in Europe have a probirth demographic policy, aimed at encouraging the birthrate. Taking into consideration the variety of factors which determine the birthrate, a set of socioeconomic, ideological and legal-administrative measures is being drafted.

In countries close to depopulation, such as Hungary, Bulgaria and the GDR, efforts are being made to stop the erosion caused by the two-children model and to encourage a positive attitude toward having a third child in the family.

All socialist countries in Europe are emphasizing socioeconomic incentives aimed at upgrading the birthrate, paying attention to family supplements, one-time aid, maternity leave, development of children's institutions at a minimal fee, housing and services to young families, low prices for children's goods, and others.

At the same time, ideological work is concentrating on making parents realize the social need for the reproduction of a certain number of children in the family.

Generally speaking, penalties in nearly all countries are quite limited and are reduced to a system of taxes paid by unmarried and childless people.

Occasionally the efficiency of the demographic policies is questioned and views are expressed to the effect that it should be absorbed by socioeconomic policy.

It is true that the desired effect is not always obtained. However, this is no reason to question the need for and specific features of a demographic policy. Such a policy is related to one of the most essential and humane principles of the socialist society: to meet the growing material and spiritual needs of the family as a basic prerequisite for normal reproduction and full application of the vital forces of the society. Without a probirth policy in the socialist countries the birthrate level would have been even lower and many of our countries would have dropped to the stage of depopulation.

In our view, instead of displaying nihilism toward demographic policy, steps should be taken to improve it and turn it into an efficient mechanism for achieving a better consistency between the needs of society for population and manpower and individual demographic behavior.

It is a fact that the basic mechanism through which this policy is implemented—family supplements and one-time aid—formulated in terms of fixed quotas, very quickly lose their stimulating influence as a result of increased nominal income and prices.

A number of other measures, such as loans for housing and furniture, programs for building children's institutions, and developing the network of services to households, taken in some countries, are not backed by proper material and personnel facilities and are not adequately efficient.

Steps related to finding jobs for pregnant women and the protection of mothers and children, which should be taken by heads of enterprises, are being systematically violated, for they conflict with some basic principles of the current economic mechanism.

A policy related to the production of a sufficient variety of high quality and inexpensive goods for children is also in conflict with the aspiration of earning higher profits by the economic organizations, and frequently fails. In some countries this leads to a poor availability on the market of goods for children.

The conclusion is that in order to be quite efficient, the demographic policy must be substantially improved.

It would be expedient for family supplements and one-time aid to be determined as a percentage of average wages, which will not reduce their stimulating influence quickly.

Housing policy must be consistent with demographic policy and young families should be offered not small housing, leading to changes in their reproduction plans, but housing meeting contemporary requirements of families with two and three children.

Our sociological studies show that care should be taken to improve the work of children's institutions. Many parents are concerned by problems of cadre support, material facilities, hygiene, and quality of services.

The production of household appliances in our socialist countries should catch up within the shortest possible time with the achievements of the most advanced countries. We must extensively develop deliveries of prepared or semiprepared food and other goods. This would reduce the tremendous losses of leisure and, sometimes, working time spent on purchases. The socialist market must become even richer with children's goods, taking into consideration the achievements of technical progress in this area as well.

Strengthening the emotional motivations for giving birth to children requires more extensive and convincing ideological work relative to adopting a serious attitude toward parenthood, asserting the view of children as a high value, and accepting a third child as a prestigious accomplishment of the family. Such educational activities must begin in school and continue in the labor collective and the public organizations, which must become involved with the problems of families and children.

Great attention must be paid to improving the living environment in the socialist society, which is suffering not only from the pollution of nature but, in frequent cases, social "pollution." Particular care and attention are needed in adapting the natural environment to the needs of man, building modern well-planned settlements, developing recreation areas and physical culture facilities, swimming pools and anything else related to health protection and to increasing the strength of the socialist individual.

A number of studies have indicated that "stress," caused by an unhealthy social environment, rushing and lack of rhythm in the work, a poor sociopsychological climate in the labor collective, absence of loyalty in relations, and improper work and management style, is the scourge of contemporary civilized society. Psychological comfort must be created both in the place of work and at home, which would not only help to avoid unnecessary conflicts but also would contribute to developing a good mood and high self-esteem and ensure the full display of the creative forces of the socialist working person.

Greater concern must be shown to improve the people's working conditions. Building, ergonomic and production and consumer service solutions must attain the

optimal parameters of labor safety. The rhythm of labor processes must be made consistent with the adaptation possibilities of the individual.

Serious attention should be paid also to developing in the socialist working person a healthy way of life. Educational work among the population should instill the importance of self-preserving human behavior and, more specifically, the need for proper nutrition and avoidance of the abuse of alcohol, tobacco and others, which lead to increased morbidity and deaths.

Improving a preventive trend in health care and full hospital care for the population are also vital needs for all socialist countries.

The entire system of measures will remain nothing but a pious wish unless it is included in the social plans on all management levels and supported through finances and resources. No efficient demographic policy can be pursued if such plans remain on paper only, if they remain unfulfilled. That is why strict control must be exercised over the implementation of social plans aimed at ensuring the normal reproduction of the main production force.

The demographic problem is global and, in terms of our socialist society, its solution must be formulated as a responsible political assignment related to the reproduction of the human factor, and to the purpose of anything which is being accomplished in our society. That is why all state, sociopolitical and scientific institutions which have something to do with demographic development should display exceptional concern and a feeling of responsibility in this case.

The time has come to pay much greater attention to the reproduction of the population and manpower in the individual members of the socialist community, the dynamics of population migrations among individual countries, the efficient utilization of manpower by the entire community, the creation of mutually profitable migration relations, etc.

On the settlement level as well demographic processes must become targets of particular attention. Here a great deal of local initiative must be deployed to help families in the raising, upbringing and educating of the growing generation.

A new and much more serious attitude toward the demographic problem must be shown in enterprises and labor collectives. Managers must no longer look at the individual as manpower which must be only organized and used, letting others or, most frequently, the people themselves solve the various problems in life. Using their possibilities and authority, managers must become zealous defenders of the basic needs of the people in representing them in dealings with responsible institutions.

This will not only enhance their reputation but will contribute to the enhancement of the human factor in production and to improvements in labor and social activeness.

The study of the demographic situation in the socialist countries leads us to the search of ways for the implementation of an efficient demographic policy. It is necessary, above all, for its strategy to be anticipatory and not one of catching up. This means that we must anticipate on time social needs and create conditions for their satisfaction. Furthermore, a demographic policy must be global, encompassing all stages of human life; it must be comprehensive, applying a system of steps in solving sociodemographic problems; it must be systematic, by taking into consideration problems and promptly responding with efficient steps; it must be consistent with the specific features of demographic processes and their manifestation within the individual social groups and regional subdivisions.

A much greater integration between social practice and its scientific support must be attained if we are to achieve a more efficient demographic policy. Any social measure which has been planned must be based on a mandatory scientific study of the nature of the process to which it pertains, the factors and conditions which determine it and the resources needed for its implementation. Once a given decision has been made and is being implemented, on the basis of such studies, its efficiency must be studied and, if necessary, suggestions must be submitted aimed at its improvement.

#### Footnotes

1. A demographic transition or a demographic revolution, as some demographers call it, means replacing one population reproduction system (expanded) with another (stationary).

2. "Survey of the Demographic Situation in the World in 1970-1975 and Its Long-Term Incidences." United Nations, p 60.

3. The birth and mortality rates are determined through the correlation between newly born and, respectively, dead per 1,000 population; the natural growth is the difference between the two figures.

4. "World Population Prospects," United Nations, New York, 1986; "Global Estimates and Projection By Sex and Age," United Nations, New York, 1987.

5. The overall fertility coefficient expresses the average number of children born to one woman.

6. Op. cit., pp 58, 59.

7. "World Population Data Sheet of the Population Reference Bureau, Inc.," Washington.

8. European Population Conference 1987, plenary sessions, Central Statistical Office of Finland, Helsinki.

9. "World Population Prospects," United Nations, New York, 1986.

10. European Population Conference 1987, plenary sessions, Central Statistical Office of Finland, Helsinki, p 33.

11. A. Kvasha. "On the Optimal Type of Population Reproduction in the USSR." VOPROSY DEMOGRA-FII, Moscow, 1970, pp 33-47; J. Bourgeois-Pichat, "Obligations of the Active Population," JOURNAL DE LA SOCIETE ET STATISTIQUE DE PARIS, No 3-4, 1950, pp 94-116.

12. Source: "Population Policy—Document No 3," United Nations, New York, 1987 (translated from the English).

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